



Transcript of
Executive Briefing

*Leveraging Your Market Position;
A New Weapon for
Business Development*

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“Leveraging Your Market Position; A New Weapon for Business Development”

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Biographies of Speakers



William D. Howe has over 20 years of corporate and consulting experience, with a focus in marketing, brand building and general management. He has been a corporate officer at Pillsbury and Bell Atlantic; Chairman or CEO of several smaller, high-growth companies; and provided consulting services to a variety of clients both in the U.S. and internationally. Throughout his career, he has both provided strategic direction and had responsibility for ongoing operations, including several significant turnarounds, dozens of successful new product introductions, and numerous business building campaigns. Mr. Howe received a BA in English from Hobart College and an MBA from the Wharton Graduate School of Business at the University of Pennsylvania. Contact info: wldhowe@hksbs.com – 703-720-8659.



Robert Sturm has more than 20 years of experience in federal and state government business acquisition, contract implementation and quality program management. He also has extensive experience in sales, business development, project management and proposal development for several information technology companies, including Tracor Enterprise Solutions NIC Commerce, Digital Equipment Corporation, and NEC. He is well known for successfully supporting a number emerging business in the government market. In addition to his professional experience, he has served as IAC ELC Board Member, Co-Chair of the eGovernment Alliance and Chairman Emeritus and Founder of the Federal Electronic Commerce Coalition. Contact info: rsturm@hksbs.com – 703-720-8019.

PROCEEDINGS

MR. SCHELL: Good morning. Welcome to our Executive Briefing, Leveraging Your Market Position; A New Weapon for Business Development.

We make a practice of respecting your time. We try to start on time and we let you eat while we talk, if you don't mind. And perhaps some of the other people will make it in time for the substantive part.

My name is John Schell. I'm the President of H&K Strategic Business Solutions. This is the fourth in a series of quarterly seminars and briefings addressed to the business needs and challenges facing companies serving federal and state governments.

At HKSBS, we address the components of running companies in the government service business profitably, and driving growth and value, not just contract activity.

Last October, we had a briefing for individual government contractors on financial strategies for building growth. In April, we had a seminar for business development through teaming and alliances, featuring Angela Styles from OMB, and looked at the opportunities for growth through teaming. This past July, we had a seminar on breaking through the small business barrier in which we looked at the challenges and opportunities as the company scales up and runs into various pinch points and how they have to be overcome.

One plug, if you don't mind, all of the materials from our seminars are now available on our new website, www.hksbs.com.

We are pleased today to offer a new approach succeeding in the highly competitive world of the -- homeland defense spending or lack thereof, and total solutions procurement. We trust the ideas offered today will be of value to your business success.

This program is brought to you with the assistance of our co-sponsors who are also focused on the new challenges in the federal sector.

Please thank Burwell Gunn of the Provident Bank. Burwell.

(Applause.)

And I was going to thank Mary Karen Wills of Beers & Cutler, but along with Tony Otten and two or three other people who have called, they are either stuck in traffic or their child care provider is stuck in traffic, both of which are fatal to them attending. Anyone from Beers & Cutler make it? Yes, here are two of them. Thank you. If you've not had the opportunity to meet them, please do so at the end of our breakfast.

Finally I would like to recognize those who make these events happen. Abby Wyatt. Is Abby here? She is outside. Would you open the door. And those of you who have had a chance to work with Abby -- would you come in -- and let us say thank you. And Catherine Kaliniak, both have worked very hard in focusing and helping put on these seminars.

We also appreciate the help of our co-sponsors, Beers & Cutler and Provident Bank.

We begin the presentation and will take questions at the end. First I'd like to introduce our Executive Consultant responsible for our government business practice. Bob Sturm has more than 20 years experience in business development, program management, proposals, and the operation within the federal and state governments for government services providers. He is well-known not only in the business development for government service companies, but also throughout the information technology industry serving on many E-commerce and E-gov panels.

In two weeks at the IAC meeting in Hershey, Pennsylvania, Bob will handle the plenary session on homeland defense. He's widely known throughout, not only the service providers to the federal government, but to those who buy the services for the federal government.

With that, I would like to ask Bob to come up and set the stage for our discussion this morning and to introduce our main speaker.

MR. STURM: Thank you, John. Good morning.

THE AUDIENCE: Good morning.

MR. STURM: That's kind of weak. Good morning.

THE AUDIENCE: Good morning.

MR. STURM: All right. We have to make up for those people stuck over in Maryland. Boy, what a terrible situation. Let's hope and pray that the situation is resolved soon for everyone.

As some of you know, I've been in leadership positions in the IT market space for over 20 years. We've shared an awful lot in making adjustments in our way of doing business in a number of key areas over the past several years, and John mentioned a couple of these.

Brooks to Clinger-Cohen Acts, certainly some changes and some for the better, some for the worse. GPRA, FASA, FARA, GPEA, a lot of people say, all these acronyms, how do you get used to all the stuff in the government. Changes in the A76 processor are still ongoing and we are hopeful that those changes will bring some real positive changes to the space because we certainly need it in A76.

FAIR Act and shifts in leadership from the CIO Council to OMB, which the jury is not in yet on whether or not that's been effective or not right now. I would say people are leaning a little bit to the not rather than to the for in consolidations of budgets.

We are all pretty used to these changes in this market and sometimes changes bring opportunity and sometimes they bring slips in market share. How we adapt to these changes in this world is certainly a challenge. And it's certainly something to look at carefully, especially since we are now shifting from a solution -- a system-centric buying to solution-centric buying. With the solution-centric buying things are a little bit looser, not in a defined specification.

It is not only about making friendships and building partnerships with decision makers or sponsoring another conference or golf tournament or fundraiser, which we all in this room do and participate in. It goes back to proven practices not at all foreign to Fortune 100 companies in the commercial markets.

I believe that the proven concepts we are about to hear today are exactly the type of practices that will help you to build and to make these transitions successful. I'm sure after this morning's briefing that you will feel the same way that I do about them.

I think it's important to talk about where we've been and where we are going. Certainly I think that I'll see a lot of nods up and down rather than backwards and forward about the paradigm shift that is occurring. I know one person who has been involved with the changes in the CIO Council and has done the CIO Council update and interviews for several years, Paul Wohleben (chk) from Grant Thornton is here in the audience, and he personally has been involved with some of the analysis in some of these changes and I'm sure I'll see a nod from Paul in some of these things.

We are now in a situation where one-off solutions will no longer fly. We are certainly seeing a change in IT systems to solutions buying, we are certainly seeing a change where the government does not define specifications, we'll look at a less rigid, a less defined and much more functional specification.

We certainly will see that the government will not develop detailed requirements at this point. In fact, even on task orders we are seeing them being more fuzzy which leads to an awful lot of use of best value in those decision-making processes. Perception rules in these evaluations.

Cost factors are less important than before, so yesterday or a year ago most cost factors were the most important part of the decision-making process. I profess that this now is changing. And with that these things are the old and we bring in the new. And with the new we see the increased use of GWACs.

Have any of you seen the recent input report that came out? Input reports that GWAC usage

is up 14 percent but dominated by -- about 60 percent of the total traffic on the GWACs is dominated by 10 percent of the companies out there? There's a reason why that's happening and we are going to get into that today.

Government states the problem, desired result, and industry determines the solution. This is now what is happening. Everyone is talking about the TSA tax. Everyone knows that it actually came down to two bidders who were asked to bid. And everyone knows that those things were decided based upon the Gartner quadrant. What's decided upon in the Gartner quadrant? I ask the question. I don't give you the answer. We'll find out the answers today.

More performance risk and requirements are much less definitive. With this in the continuum of best value, it will head more towards the continuum of evaluation criteria being structured in such a way that gives the Source Selection Evaluation Board Advisory Council full latitude to make the decisions that they believe is in the best interest of the government.

Directed sole source and, when competitive, best value plays much more of a role now than in prior years, not low price. Decision makers will continue to develop their preferences. These preferences are built over many years. It's not something that's decided upon in proposal phase, often the processes used to justify a preference that has already been established and formed over many, many years. And the bottom line, nurturing relationships, while very important with these decision makers, is not enough on itself to establish preference.

And this is what I call where we are today. In this new paradigm in which government states the problem and desired result, and industry determines the solution, there is much more performance risk. The requirements are much less definitive. We are approaching the right side of the best value continuum as indicated here where non-cost factors are much more important than they were before. Sole source and when competitive, and I say this again because it's very important to point out over and over again: Sole source and, when competitive, best value plays much more a role now than in prior years.

As the government migrates to solution buying, they will rely on judgments about what value you bring. Again, noncost factors in solution buying are now most important, as before cost was much more important.

There are a number of non-cost factors to be considered. Heavy reliance non-cost factors include industry preference. As a matter of fact, the preferred supplier wins about -- this is really important -- 65 percent of the time.

In February of 2002, in a statement by Angela Styles, the administrator for the Office of Federal Procurement Policy, before the Senate Armed Services Committee, Angela stated that more than 70 percent of task orders under multiple award task order contracts were awarded on the sole-source or directed-source basis. Why? Why?

Again, decision makers continue to develop preference, and nurturing relationships with decision makers won't be enough to establish these preferences because everyone is nurturing those relationships -- level playing field.

There will be another word for that in a little while. See how many people are paying attention, what leveling the playing field is in this context.

Today strong customer relationships and partnerships are part of the equation to be successful in solution selling, but only part. Building upon these relationships with your unique selling proposition reinforced with confident and consistent evidence of your domain knowledge, your functional expertise and thought leadership are vital to be successful.

The foundation of these partnerships are built upon a number of factors including your customer-recognized discriminators, your proven past performance, or your CPAR, and your consistent solutions marketing.

How many of you saw the input report that was reported in Government Executive Magazine

that came out yesterday? I keep up with my reading as much as I can. How many people have seen it?

In that input study it noted most firms have to spend more time and money than usual on GWAC sales and marketing efforts aimed at agencies to distinguish themselves from major players that win most of the business. Very pertinent to the subject we are going to discuss today.

Customer-recognized best value is not earned at the proposal stage but earned every day in every way, every day in every way. And in order to achieve this it has to be suspended into organization.

Though never associated with government, our speaker this morning, Bill Howe, has repeatedly demonstrated a unique ability to take a complex process of building preference and making it understandable and easy to apply. He has already accomplished breakthrough success by creating new business approaches in a variety of other industries.

Given the government's desire to be more customer commercial-like and given my personal commitment to this market, his approaches have been especially enlightening and beneficial to me and I'm certain that you will feel the same way I do at the conclusion of this briefing.

Today, Bill will provide some best practices that when applied to the government market, we strongly believe has an extraordinary potential. Before Bill gets started, I would like to share with you a little bit about his background.

Bill is a management and marketing professional with more than 20 years experience in a wide variety of diverse industries including both business-to-business and business-to-consumer markets. His unique experience spans both ends of the business spectrum from VP of Marketing and Corporate Officer in Fortune 100 corporations such as Pillsbury and Bell Atlantic to President and Chairman of small venture-backed companies.

A number of special accomplishments highlight his professional career, including the distinction of being the youngest Vice-President and Corporate Officer of the 6 billion dollar Pillsbury company. He has led two dramatic business turnarounds, introduced and revitalized dozens of product lines and has managed businesses in excess of \$4 billion. He has trained executives from over 25 countries on this very same subject.

Clients' success stories include corporate giants such as the Washington Post, Alcatel, Prime Media, Deloitte & Touche, Meredith, Siebel Systems, to small high-tech companies.

Bill is a graduate from Hobart College and of the Wharton Graduate School of Business where he received an M.B.A.

On your tables you'll see some case studies, there's testimony to Bill's track record in helping companies break barriers in their business success.

It is with great pleasure that I have the opportunity to introduce my friend and speaker, Bill Howe.

(Applause.)

MR. HOWE: Good morning. Thank you. I want to start by just thanking you all for spending your valuable time. Time these days takes on a special meaning with all the crazy and sad things that are happening here in the Washington area, and I know some of the people walked in just a little bit ago probably have a pretty remarkable story of how they got here given the traffic situation out there, so I'm delighted. It's a small group but it's a very special group and I appreciate your taking your special time to visit with me.

Let me begin, and I want to thank Bob for his kind remarks. Let me just acknowledge one of Bob's last comments which had to do with the case studies, if you will, that are in front of you.

I don't want you to get lost in the details of those, I just want to make this transitional statement by saying it's important for me to acknowledge with you that I am not deeply experienced in and I certainly don't profess expertise in the government space. The people in this

room and people like Bob Sturm, who I get to work with, have that kind of expertise. But there is a common theme that runs throughout my career as Bob explained, I've done 20 years hard time in Corporate America, and I have had the situation on many, many occasions to find myself in a brand-new business, in a brand-new industry. Last count I think there's about a dozen.

Either as an employee, as an officer, as a consultant, I'm constantly trying to figure out how to crack the code in new business settings and try to be helpful to my employer or my client. And the common theme that runs throughout is that where I seem to be most dangerous; that is, most beneficial to companies and most dangerous to their competitors, is when I come in, in fact, as an outsider. In two situations before you, two Fortune 100 companies, one the food industry, Pillsbury, one, telecommunications, Bell Atlantic, I was not an expert -- I was not an insider.

But, you know, there is an advantage, there's a very powerful advantage that those of us who are outsiders, as I stand before you today, have and those two things boil down to a couple of concepts.

One is I see situations such as this with fresh eyes and those fresh eyes give me, potentially, not always, not guaranteed, but potentially a fresh perspective on your business. That fresh perspective is important because sometimes I can see opportunities that aren't plainly apparent to those who have been living in these waters for a long time and their view gets a little bit cloudy.

I come in with, not because I'm so smart, but I'm just so fresh, looking with fresh eyes from other industries and say, wait a minute, I see some different things going on here. And I'm intrigued with what's going on in this market space in the government sector.

And I want to jump right into that. I will warn you up front today there's no rocket science. I don't know if I have any breakthrough revolutionary ideas. What I hope I do have is some deep fundamentals. I want to try to discuss some of the things that I know in any industry and in any business and in any company, potentially yours, are important to achieving success.

So with that said, let's get started. This little opening slide, I think, is a great way to start any business day. It's certainly a great way to start this presentation: Begin the journey with the end in mind.

Let me tell you what my goal is, my destination here with you folks. Without even showing the rest of the details on the slide, and there are a few, we have here a Loyalty Pyramid. I'm going to make this a tiny bit interactive today and get the energy going both directions.

Without knowing any of the details, where do you folks want to be on this loyalty pyramid? Just shout out your answer. Probably at the top? You want to be at the pinnacle, absolutely.

Here is my goal. My destination today is to help you get one step closer with a few fresh ideas from these fresh eyes, but it's about deep fundamentals, it's about some things that knowing your business in particular, my expertise is in helping companies build their business. I help them by helping them understand their go-to-market strategy.

So the focus today is on climbing this corporate pyramid. And I will be delighted if you walk away with one or two ideas that help you take a step closer to the top.

Let's go deeper into the slide. At the bottom of the slide, we have at Level 1, many companies in Corporate America today, they don't like it but this is where they live. They are at Level 1 and they live in a world where they enjoy -- they don't enjoy any brand loyalty on this pyramid, they are sort of underneath the pyramid, if you will.

And as a result, what they have is they have people who are using them but they are just a vendor, they are going in and out. They have engendered or they've created no loyalty to the results. Not a fun place to be, but a harsh fact of life for a large percentage of companies out there.

Just slightly north of that, lots of companies stay in business because they have satisfied buyers. Satisfaction gets you almost nothing these days, it still doesn't get you loyalty. It just

means, okay, you were okay for this transaction, I was satisfied. Next. It's not unlike when somebody asks you at the restaurant, were you satisfied with your meal and you say yes. You don't jump up and give them a big hug and a kiss. You expected that. You came in, it was due consideration. They gave you a meal, you gave them your hard-earned cash. If you are satisfied, great, but you have to go beyond satisfaction these days.

Some companies do, they jump up to Level 3. Some people in this room with a major client, you are very fortunate, might be playing at this level. Now you've got a very satisfied customer, decision maker, major buyer, and your dominant in the short list.

Now, this is a very rarified atmosphere jump to the pinnacle here. If you climb up the top of the loyalty pyramid and operate truly as a trusted advisor is rare, it's unusual indeed, and, in fact, as a reality check, only about three to five percent of companies actually get there.

I didn't ask, but if I did ask you in this room, I won't put you on the spot, where are you, many people will say I'm at Level 3 or 4. But the push-back, the reality here is that this is not about what we think. This is about what our customers think. This is from their perspective and really, if you think about it, it's the only reality that matters.

We have to earn loyalty from them, so it's not our perception of where we are on the loyalty pyramid. We may think we are Level 3 or 4. Level 4 is very rare, very small percentage of folks get there as granted by the only people who have the votes, our customers.

Now, I point out the following. Kind of a truism: In business, if you are not growing, you are dying. I learned this lesson the hard way many years ago. I found myself as a freshly scrubbed brand-new CEO of a brand-new company out in the Midwest and it had the distinction of being a Fast 50 company; that is to say, one of the fastest 50 growing companies in the State of Minnesota. I can tell you I had to learn in a hurry and the hard way about this comment, in business, if you are not growing you are dying. See, it doesn't really matter how fast you think you are growing, it matters all about how fast your investors and Wall Street think you should be growing. It has a lot to do with certain touchstones or touch points they have.

They look at how was your growth this quarter versus last quarter versus last year versus your competitors' and, although it seems terribly unfair, versus what they think you should have done or, God forbid, what you told them you were going to do, okay.

So whether it's your projections or the Whisper Number on the street, companies get caught up every day because they are not growing fast enough, they are not keeping that promise. In the eyes of investors they are dying and their stock price reflects that.

How many people, by the way, are with companies today that are public, just out of curiosity? A significant number. I mean, you feel the burn here, you know what I'm talking about. Now, here is the crucial question I need to ask. If in business you are not growing, you are dying, the crucial question is this: Starting right now what are you doing to grow your loyalty? We want to get on top, we all want to get on top of that loyalty pyramid, but you've got to be growing every day. So what are you going to do today to grow a step north on this pyramid.

This presentation is all about loyalty. You know, it's an overused word. Loyalty is a little bit of a, actually a misused and abused word. In fact, I'll tell you another abused word. Many of us very casually tell our major customers, we tell them that we are partners with them; i. e., we are trusted advisers at the top of this.

Folks, the word "partner" or "trusted adviser" -- word "partner" is probably one of the most overused words in business today. It sounds good but from the customer's point of view, it's almost meaningless because they don't grant many companies that status. It's a very unique place to be. And for the rest of us, we are partner wannabes, okay. The challenge is to actually earn that the old-fashioned way.

Today's presentation is all about what steps we can take to earn that loyalty and that trust, to climb

up that pyramid, if you will.

The challenge we have, just stepping back and thinking about it, is this: The challenge is in the minds of the people that you want to do business with or you want to continue to do business with, to thrive with, the challenge is to find a way to stand out.

And the reason for that is because this is what our world looks like. We do live in a sea of sameness. And I don't care if you are selling products, services or some hybrid combination of products and services, you all look like a bunch of, unfortunately, gray boxes out there. Whether you're supplier A, B, C or D, doesn't matter. It's just, it's gray, again, as seen by the real world.

It's not a pretty picture. The challenge is to stand out. You've got to uniquely differentiate yourself. I know I'm not telling you anything new. I hope by going through this presentation I might tell you a couple things, I might crystallize a few things you know deep in your gut but may not have put together. That's my aspiration for today.

Here is the challenge that confronts us. These are not my words, a famous book written some years ago by a very clever guy, Al Ries: Differentiate or Die. Whether you are public or private, commercial or government or a hybrid, every day you've got to do this. If you don't stand out, if you don't make yourself different, you look like another commodity gray box out there.

You know what, nobody is buying gray boxes anymore. Actually, they never were. So we need to paint ourselves a different color.

How do we do that? I think there's an answer, but I need to take you through a rather involved set of slides here, so pour yourself a cup of coffee and just bear with me.

If we get into the deep fundamentals, if I were to poll this room, we have a very elite group here, mostly C level people. We have CEOs, CIOs, CFOs, COOs, and I know you guys get this, but I want to spell something out that's very fundamental.

We could come up with a thousand ways to grow a business, because we have just such a creative and strong group this morning. But at the root cause, they all boil down to only three things: To grow the business what we want to do is deconstruct business success. Let's tear down this engine that drives, that really provides the economic fuel or engine for any company and it looks like this.

Fundamentally you have to either do one of these three things: Either sell more customers, sell more solutions, or more stuff, to each of those customers or you have to sell at a higher price. There's nothing else. These are the only three things we can do, but we must do these things. And the question is how.

Now, we want to sell these things and we want to do more. Here is the challenge that we have. You've got to turn this thing around. This is what we want, but business is not about what we want. Business is about unlocking what our customers want.

And you know what, we turn this question around, here is what the three things look like from the eyes of our customer, from the eyes of the decision makers, right now there's a company, in fact this might be helpful, you don't have to close your eyes, that may be too thinky feely, but just imagine for a second if there's a major company you want to be doing business with or agency or decision maker that you want to be in front of.

Everybody in this room, you've got to grow, so who is that going to be? And from their point of view, if you put that picture on the wall, they are your target, and they are the ones who you reach and have and appreciate and perceive that you offer a very valuable solution.

But from their point of view, the crucial question is this: Why should more of us decision makers buy more stuff from you guys or pay a higher price for it? You've got to turn around and look at it from their point of view.

Wouldn't you agree this is an extremely important question? I think it's so critical for us to grow our businesses that what we need to do here is take a minute to go deep into this. Okay?

Here is how we are going to do it. Let's take a look a little more deeply into deconstructing success on a going-forward basis, your success, every company represented in this room. Your success is largely a function of what you have earned in two time frames. You are here today all because of your experiences, you are a product of your past, but also what you are doing presently to earn more credentials, more loyalty to build your reputation with your customers and with your prospective customers, the people you want to be doing business with.

You successfully go forward as a function of these two Ps. It's the past and present performance of your products and services and, in fact, not just of your products and services, but of the gestalt, the total experience every day and every way, as Bob said, this is about earning business success the old-fashioned way.

Let me just boil this down, okay? Your past and present performance on everything you do gives rise to two things. That drives your reputation that you come to this room today, both you personally and your company professionally. You've earned that reputation for better and for worse, your company's reputation.

And by the way, I think reputation is a hugely important word. I used to think it was all important, but it's vastly important. I know you'd agree. There's one more word that you need up here. Two things that you've earned in terms of your performance. The second thing is loyalty.

The reason why I add loyalty in there is because reputation is about what people think about you, customers or prospects, but you don't want them just to think about you. You care a lot about that and you should. But it only works if you pay off the promise, if you uphold your reputation, make them loyal because you deliver on that, because you want their behavior, their behavior specifically is you want their money. You want them to part with that hard-earned money and make a decision in your favor to grant you that deal, that bid, that award.

So business success is about two old-fashioned things: Building reputation and building loyalty from individual customers to you.

Now, a shorthand simple way of pulling that together, those two things really drive the bottom line for this presentation today. I'm going to share an unusual word, as I understand it, in this space. If you believe that the government space is becoming more commercial, Bob's hypothesis, hopefully you are here because you believe there's some truth to that.

Then this next word shouldn't be too shocking, but just in case it is, Bob you might want to start the car running, for a quick get-away, and that word is "brand."

Many of you don't think about the B word, I understand that. It's not a comfortable word, it's not a common word in your space. And for many of you who have heard of this, many of you right now, I can look into your minds, you are probably being, as many people are, dismissive.

Let me tell you what the brand is not, folks. It's not just a word, a logo, a trademark, a name. I'm not talking about that. We've got to go way deeper than just that. That's too superficial, it's too shallow, we've got to go deeper, we are trying to deconstruct business success.

Your brand is the sum total of all your experiences that your customers have with you to build your reputation and earn their loyalty. That's what your brand is. This presentation is all about building your brand in this new world. There's a paradigm shift. Let's get ahead of the paradigm. Let's power our own paradigm by understanding better than our competitors who didn't show up today how this B word works, how this brand word works.

So it's extremely important and although it doesn't show up on your balance sheets, this is one of the most precious corporate assets that any company can own today. It's your loyalty and reputation as captured in your brand.

Now, I'm going to try to prove this to you and this is kind of an ambitious challenge on my part, but I'm going to take up the challenge this morning. I know that most of you aren't going to necessarily believe me. I doubt it, so I have to work a little bit harder here. I am going to take you through a couple of slides and try to prove to you why this brand word which is so unusual in your

space is so very important for you.

Here's the connection. If you agree the concept and presentation are important, then you must also agree to take steps to build your brand. And it's not about logos and fancy advertising. I'm not talking about that. And I'll explain.

I work all over the world and I am privileged to work with some wonderful companies and some extraordinarily bright people, and some of the most sophisticated minds don't understand this next point.

I want to try to crystallize something that I think is so crucial. By the way, I didn't always understand this. And it's not obvious that this just happens to be extremely fundamental and basic, so I know -- I think you'll see this. Without knowing any of you in this room well, I know a few people a little bit and am delighted they are here today.

But without knowing any of you in depth, I do know something with absolute certainty. Some of you may be looking for success in the wrong places because some of you may not understand, as many people don't, the root cause of business success lies in three cause and effect elements.

I know with absolute certainty that you all want number three, you all want improved financials. I know you hunger for, you're desperate for your company's life and your career depends on, frankly, driving and increasing top-line revenues, and bottom-line profits.

If there's anybody in the room this doesn't apply to, show us by raising of hands first and then you can leave because I don't want to waste your time with this discussion. This is all about building Point Number 3.

We have got to grow or die. Grow top line and bottom line. How? Well, the bad news is this. It's like the old Jerry Maguire movie, did anybody see that? Famous line: Show me the money. It's amazing how many CEOs fall in the trap of trying to manage to the financials.

You can't show them the money by managing the money. The only way you can manage the money really is to cut budgets and you can't save your way to prosperity, so this is kind of a dead end.

If you want to show them money, you have to figure out what drives the money. Improved financials are nothing more than an effect. They are the aggregation. As C-level executives, you are in a corporate car and your investors have entrusted you to be the driver of that car. All of you are sharing the wheel as C-level executives, and you're driving down the road to higher revenues and bigger profits. Your investors demand this. It's not a request. It's a demand.

Those same investors expect that we understand those improved financials are nothing more than looking in the rearview mirror and seeing what has already taken place in the past. Your P&L is a summary of what's already happened, it's done, we have to get over it. All we can impact is the future. This is what the future looks like.

To understand what drives those financials you have to go back and step upstream. What actually impacts those is you've done something, whether you realize it or not, to add to your, increase, enhance, otherwise improve your competitive position in the marketplace.

What does that look like? We have already covered this in the previous slide. Somehow you have to sell more customers, sell more things to more customers, or step up to a higher price.

I think we all agree on that. Again, let me get down to the fundamentals, hopefully deep fundamental. But you know what, even this is not the cause. This, in turn, is impacted by something else. We have to go further upstream. Let's go north to the original granddaddy that actually starts this whole thing. And this is the thrust of today's comments.

The root cause is we have to do something to improve, enhance, otherwise build the dynamics with our customers, the consumer of what we do. The arbiter who says, I will give you my loyalty or not. I will grant you that award or not. Your reputation is positive with me and growing.

Now, there's just a handful of things fundamentally that we can do to increase these

customer dynamics. Many, many years ago I found myself in a Fortune 100 company for about a year heading up the market research area. I had forty Ph.D. types, all of them smarter than me, certainly, a \$10 million budget, and it was all about helping the company work smarter.

And in the process of that one year stint, I learned about the Consumer Purchase Dynamics, which are true for any industry, and it gets into some very, very sophisticated modeling. I just need to boil it down in my simple mind and it looks like this. The basic customer dynamics look like this.

You have to find a way in business to increase one or more, some combination of the following: Increase awareness and appreciation, I want to pause. Let me just point out something. The reason we had the dot-com, also known as the dot-bomb meltdown, it was remarkable how many otherwise sophisticated financial engineers and executives known as venture capitalists and backers and the management teams didn't understand that to build awareness by itself is marketing fools' gold, it's empty. Why?

If you are not building an appreciation for what the products or services offer, it means nothing. You can have an incredibly engaging figure on TV like pets.com with a little sock puppet dog. They ran the hell out of that commercial, spent millions of dollars in Super Bowl ads, yes, it was engaging, yes, people talked about it, yes, it was fun.

However, the underlying economics of that business was a nonstarter. There was no margin there. But not only that, they were building empty awareness.

You see, we have to build appreciation for what the brand can do. All of these things taken together, whether it's the appreciation or awareness that you are building, the pilot or win rates, the repeat buys, getting them to come back because they like the experience, the product or service quality or the customer satisfaction that you build up. I understand in this space it's called CPAR.

These are the five key components, if you will, of enhancing the customer dynamics. Taken together, folks, they are nothing more than building your brand, building preference from your customers and target customers for that brand, which in their point of view, makes them want to grant you their loyalty. It all comes back to that L word, loyalty, that's what it's all about.

By the way, the reason I keep talking loyalty is, that's where the money is, that's where the margin is. If you've got no loyalty, you've got no margin. It's just as simple as that. You're a commodity, you're a gray box. You are dancing on the brink of disaster.

So we've got to drive the loyalty. How do we do that? Before I tell you more about that, I see people taking notes, which is gratifying, thank you, I see some head-noddings and some acknowledgments and crystallizing, I really appreciate that, but I also know there's got to be some die-hard skeptics in this audience, and this rather involved slide, perhaps you can see the copy points, so look away from the slides, let me convince you just with this very simple connection. In high school we all learned what was the property or law which says if A equals B and B equals C, then A equals C. What is that called?

AUDIENCE MEMBER: The Transitive.

MR. HOWE: The Transitive Property Law, we all know that. It is true, yes? We take this as true. Well, number 3 is C. A equals B, this is B. That's A.

Your job is to increase those financials. If you want C, you've got to do A. A does equal C. We have got to do this.

Let me explain it a different way. Shorthand. Would you all agree cash is king? Cash is king and think of just this, okay? A point that is worth pondering. *All cash flow starts in the customer's pocket. Cash is king. All cash flow starts in the customer's pocket.*

You guys want the cash, it all starts up there. You have to make them understand, appreciate your value proposition, you have to impact these five things for them to reach into that pocket and start

your cash flow process. This is how business works.

So what we have to do is become experts in this crazy B word. We have got to figure out how to build our brand reputation and our loyalty in the marketplace.

Let me move on. That's the thesis for today. So in summary, your bottom-line financials actually starts up here with these Customer Purchase Dynamics. You've got to go to letter A, it starts with the very first line, the underscore, it starts with awareness and, most importantly, not empty words, that's fools' gold, a deep appreciation for what makes you different in the marketplace that causes them to want to be loyal to you. This is the game.

Let's see how you can win this game. That's the challenge. I've talked a lot about loyalty. Let me oversimplify. I'll be the first to say this. Let me oversimplify and acknowledge there are two kinds of loyalty in this world. The first you don't want, low price. Some companies, maybe some in this room, are playing the low-price game right now. It's dangerous. Here is a reality check. Your customers are loyal not to you, you can't climb to the top of the loyalty pyramid because they want what you are offering, not you. They want low price. They are loyal to the low price.

You are positioning yourself as a commodity. This is the bad news. I want you to think pork bellies and I want you to think of miserable margins. Very, very few companies, (and this is a much longer conversation than today), can play the low-price game day in and day out. Wal-Mart can but, you know, Wal-Mart has a few other things going for them and always did. If they went to a higher-price game, how long would their loyalty last?

They do other things to prolong that loyalty, but it's a tough game. You better be the total low-cost providers for starters, and by the way, only one company can do that. Many companies claim, many companies try, but only one company can truly be the total low-cost provider, all costs in. Okay. 99.999 percent of companies can't play this, why try?

Think margins. We want a different kind of loyalty. We want this. You see, it's all about standing out. It goes back to the first slide. It is about differentiating yourself.

My goal is to push you up that loyalty pyramid. I have to push you up the differentiation pyramid to do that. We need to have you stand out in a unique way.

What does that look like? The reality check here is that this makes sense logically, but you can't expect them, your customers or target customers, people you want to do business with, if you don't know what your unique value is, how can they possibly?

More specifically, can you articulate it? Is your team absolutely, passionately aligned and focused? And finally, do you communicate, in Bob's words, at the outset? Every day, every way, do you communicate your special stuff, what makes you unique?

You see, if you don't distill your brand DNA, if you don't understand your genetic code, why in the world should anybody else see anything other than a gray box?

You have to show them why it's different and, by the way, you can't just tell them, you have to show them. It's about not your words but your deeds. Let's go deeper. If the fundamental challenge is to do that, to differentiate yourself in a unique way, you can only do that by figuring out what makes you, like your fingerprints, unique in all the world.

In your case, what makes you stand apart from all these other gray boxes out there. Let them be gray, but as you look at this slide, I want to ask which one do you want to be?

Here is a trap. I'm not talking about what some companies do. At the time of the bid they get themselves all gussied up, they look gorgeous. They go to extreme lengths, they pull all-nighters. They do all this fancy stuff to make themselves look attractive. It's not unlike putting lipstick on a pig. It's not really very attractive and it irritates the hell out of the pig. Okay.

By the way, in this rather twisted metaphor, the pig is your employees. When you push them to extraordinary lengths and say, Sit still, we've got to make you look pretty, we are going to go to a crash course and have you get smart about what they are looking for.

No, it's got to be deeply engrained. I'm not talking about superficial reality here, because your

customers are looking for deep reality and we have to show them the deep fundamentals, at your deep core who you are, every day in every way. So we need to be that guy. The question is how. By the way, we talked about all those gray boxes, but the view inside the beltway, and some of us live outside of the beltway, it's a more distant view. Those up-close-and-personal gray boxes, we take so personally and we care so much about because it's us, our companies, our products and services, unfortunately for our decision makers, we are off there on the horizon, we are not gray boxes, we are gray pancakes.

And what we need to do is kind of like a topographical map, we want to build a mountain of reputation. We need to stand out and be accounted for, we've got to look different. We can't just be another gray flat pancake. They don't care about those. They look right over those.

But you can't just magically overnight build a reputation. What you have to do is, again, earn it the old-fashioned way. How? We have got to have the management team understand and focus in, align and drill deeply down on what it is at their root, at their core that makes them stand out, that makes them a stand-out candidate in a world of gray pancakes.

Now, there is a way to do that. It's not an easy way but there is a way. And it looks kind of like this. We have to acknowledge that all decision makers really want, they just want some basic answers. And they are not getting them. They are not getting them. Okay? They want basic answers to fundamental questions. Okay?

The questions look like this. Who are you? Now, they are not looking for just a simple show-up and throw-up kind of answer of who you are. It's more in the spirit of Aristotle's "Know Thyself." They want to know that you know yourself deeply and that you are being absolutely straight with them.

And this is what I mean by straight. This is what they want to know. If you know yourself deeply, then you are very clear on and they can be very comfortable in what are you really good at and what are you known for. Got to go further: Why is this important for me? Help me as a buyer. I don't live my life trying to figure out how to do business with you or to understand your arcane promises. You have to help me understand. If you want to sell me, great, but be consultative. And consulting starts with understanding my problems and my goals and showing me how and what you're doing aligns with my best interests.

Salespeople don't know this, but a salesman has never really found a selling opportunity. What a salesman has discovered and uncovered and exploited is a buying opportunity. I didn't get that for the longest time and I started in sales. Great products, lots of pride, lots of passion, lots of energy, but what I wasn't doing was aligning myself with what was important to the customer. Uncovering what they needed so I could speak to that with my solution, and if it didn't, then God forbid I try to sell them something they didn't need. Loyalty there lasts about a nanosecond.

Many times we address these things but we don't quite finish it off. As a decision maker, as a potential buyer, why should I believe you? As a starting point, I probably don't. Harsh, but true.

Okay. So, if your best value is the new standard in government and it's your personal best value that has to become a standard, what you have to earn every day, how do we do that?

Well, here is the first challenge we have. Does everybody on your team -- see, it's not just enough for C-level executives to get it. The biggest challenge you have is to get the rest of your team to get it. Because your brand is the sum of everything you and all of your people do every day in every way. When was the last time you personally sold anything? You could influence the process but you better get your team focused and aligned around what it is that brings you to the dance and makes you remarkably attractive.

The question I have for you here is, what do you stand for or what value do you own in your market space? Having said that, it's as simple as this: I want to ask you what word, what concept, what benefit do you own. I mean you own this. Nobody else can compete with you on this. By

the way, it's not easy, it just happens to be crucial to your collective success.

Now, I'm talking about something which is not an entirely new concept, and I think you would recognize this. You've got *to know it before you can grow it*, you have to know what makes you special, what differentiates you in the marketplace, what makes you stand out as that mountain in the sea of gray boxes or pancakes. We are talking about a concept now, ladies and gentlemen, that's been around for, I think at least 30 years, maybe longer, and it's got an acronym.

I want to ask the group: It's got three letters. What am I talking about? You've all heard this. Begins with a U... USP, does that sound familiar to anybody? I see some head-nods.

"Unique Selling Proposition" for the uninitiated, USP. It's a great common term in the commercial space, maybe somewhat newer to the government space, but really shouldn't be. It's not all that complex, it just means you have to know what is special about what you are going to tell a prospective customer. Okay. Unique Selling Proposition.

Whether you know the concept or not you can certainly understand and appreciate that in business you have to figure out what you're going to own. What word, what concept, what benefit. And in case this idea is still a little bit confusing, we're going to break for an exercise in just a second. We are going to take one to two minutes max. What I want you to do on the piece of paper in front of you is craft your own selling proposition. In case you are at all confused by this, let me give you an example because sometimes examples are helpful.

I don't expect you can read this, so let me read this for you. It's a full page ad about another company in another industry. It happens to be the automobile industry. There's probably a hundred manufacturers or brands from all over the world, yes? Probably a hundred companies with brands competing for our money.

This particular brand -- it's advertising, I'm not talking about advertising, I want to go deeper -- is the Wall Street Journal. It's a full-page ad. How much does this full page ad cost, do you think? This company has made a huge investment, let's hope it was worthwhile. Let's see what they said. It was, by the way, August 30th of this year, full-page ad from Volvo. And up here it says: Volvo for Life. That's the brand promise, if I can put this in new terms for you. Their brand promise. Down here, subhead: Seventy-five Reasons to Buy A Volvo. Reason number 1, you may not be able to see this, but reason number 1 is a picture of this adorable little girl that could be our daughter or granddaughter or niece. That's reason number 1 to buy a Volvo. They're making it intensely personal.

Business, I don't care what anybody says, it's personal. Some companies figure out that and they recognize there's a way to touch some of those emotional heart strings. Believe it or not, even B-to-B companies are starting to realize, my gosh, if it were purely a rational play in the B-to-B or B-to-G space, if you have the very best product or service, why wouldn't they buy you every time? There's more going on.

Let's take a look how. I want to hit some of the highs of this ad. Volvo for Life, Seventy-five Reasons to Buy a Volvo. Reason number 2, this is the key headline. *"Seventy-five years of safety innovation"*.

You may not know this intellectually, but at your gut, in your soul, you kind of know. I have asked this question all over the world, what company owns the word "safety"? I didn't ask it of you, but almost everybody says Volvo, right? Would you all say that? Volvo, they own safety.

Safety happens to be a very powerful word in the automotive space, a hugely important concept and a benefit that every single car manufacturer wants, wouldn't you agree? Does any car manufacturer not want to sell safe cars?

But one company 75 years ago said we are going to own this. Let me show you why. By the way, they didn't just say it in an ad. This is not about smoke-and-mirrors marketing and advertising. Let me show you why.

Reason number 14, Volvo engineer patents three-point seat belt, believe it or not, in 1958. You see, Volvo has done some interesting things. Reason Number 8, 80 million-dollar Volvo safety center. Volvo doesn't talk the talk, they walk the walk. They put their money where their mouth is, not just in full-page fancy ads. An 80 million-dollar facility is dedicated to nothing but safety innovation.

Actually, going back to their heritage, reason number 25, this is very interesting, the founder's philosophy. Everyone perceives Volvo is the safest car but, his is the reason why, which you didn't know. The founder's philosophy 75 years ago was the following: "Cars are driven by people. The guiding principle behind everything we make at Volvo, therefore, is and must remain about safety."

So they were focused like a laser 75 years ago and many of the safety innovations that right now you enjoy in your cars, you are driving their safety innovations. They've earned that loyalty and that reputation, based on those loyal customers in the world because of this. This is what you want, you want to be more like Mike or in this case more like Volvo.

On the page in front of you looks like this, Leveraging Your Market Position, a two-minute exercise, what word, what concept, what benefit does your company uniquely own, what differentiates you in the marketplace, what makes you like Volvo and stand out. Just jot it down, if you would, take a minute.

(Pause.)

MR. HOWE: Just take another minute to capture it.

Okay. This is a very challenging exercise for an awful lot of people. I don't know, did anybody find it rather difficult? This can be. Yes, I see a few head-nods.

It can be very challenging. And for those of you who found it easy, let's go through this debrief and let me just probe a little bit. If you found it relatively easy to do, that's terrific, but I want to ask you how proud are you of that answer? Could you take your answer right now and walk next door, we have a couple of major clients you would like to work with. But are you confident that everybody on your team lives this every single day and not just the sales guys or business development guys?

Here's a remarkable fact about a concept that's been around forever, unique selling proposition. Almost everyone either knows or has heard of it. Most people when they hear about it say yes, this makes sense, I believe this. Almost nobody, unless they have a sales job specifically, almost nobody has crafted one.

And finally, I want to acknowledge to you that if you are aware of it and if it's important, if you acknowledge how important it is, it's a great start, but by itself is not enough. Let me tell you why. There's a concept we use in the commercial space, it's called Brand Positioning. Think of it as USP on steroids, okay, because it goes a little further.

USP is powerful but this is why positioning is important. Positioning is a carefully structured statement. It's not the corporate mission statement. Every gray box out there has a fancy mission statement which tends to be forgotten, and great sales and hardworking people, it's not about that. This positioning statement captures what makes you special in the marketplace and importantly it defines a path forward, it gives you the blueprint for how you're going to grow.

Let's take a look at how that works. You've all heard of this expression if you don't know where you are going -- could somebody finish that -- any road will get you there, any road will do. This is a problem in much of American industry. I think 51 percent-plus of companies out there don't know exactly where they are going, don't know precisely where they are trying to grow to. Let me show you a fancy tool which some call a Perceptual Map, a Market Map or a Marketplace landscape. What you can do with this map is you plot competitors, you can plot where you are, your position today as defined by your customers, and this important thing of putting together a

brand positioning statement which defines where you're trying to grow to precisely. More importantly it also maps, and we use research typically to figure these things out, your brand permissions, where you can grow to and a very key concept, brand constraints. Brand constraints are kind of like a brick wall. When you are trying to push people beyond what they are willing to believe about you, you hit a brick wall.

Think back to Xerox 20 years ago. They didn't know they had -- they didn't have permission in the marketplace to go into the computer business. It was a billion-dollar write-off. They didn't understand permissions and constraints. They didn't understand this notion. They could have saved themselves a lot of pain. Brand Positioning Statements are all about guided growth. You see, I said before, in business if you are not growing, you are dying. That doesn't mean all growth is good, some growth will kill you. Some growth is just not smart. We need to grow in a very specific way. We need to grow toward the ideal.

Now, for some people this may look like theory, but it's not. I want to assure you with the Xerox example that you may be aware of, and I'll also tell you my own personal example. Many years ago I used this tool in a new company setting, I was working for a company that had an extremely profitable business. Very high margin.

The only problem was they were the number 2 brand for a quarter of a century, competing against the gold standard. It's in the food business and they were stuck. And again, I have fresh eyes, fresh perspective, no rocket science, but I drew this market map and I said, You know what, it looks to me like this is how your market works, and I offered an hypothesis and a recommendation.

I was just looking at something they hadn't seen and had been sitting on for 25 years in an extremely good business. We put the recommendation in place and virtually overnight a quarter of a century number 2 brand became number 1. We used this tool. It's not theory. It's real, it works, and I've used this in many industries since.

The Brand Positioning Statement that we use looks like this. It starts off with just some fundamental questions, it's all about the fundamentals, who, what, why. Who, what, why. Five questions: Who are you? What do you do? Who do you do it for? What makes you different? Why should I believe you?

By the way, which of those five is the USP? It's number 4, isn't it? What makes you different, better? See, the brand positioning statement is USP on steroids because nobody ever tells you how to write a USP and USPs don't go far enough. It gives you point 4, but what it doesn't give you is all these other pieces.

By the way, name, reputation, relevance, resonance, credibility, these are the things we alluded to earlier. Remember, these are the very simple things that your buyers or prospective buyers demand. This is what they want from you. They want to know these things.

What we do is we take these who, what, why questions, we put them together, it follows the same flow, who are you, that's your brand name. What do you do, that's the frame of reference, your competitive context. Who do you do it for, that's your target audience and so forth.

We put it in business terminology and what we do is we connect the dots and call it my Special Sauce, if you will. We put it all together with this kind of phrase and I've done this in industry after industry, and it's powerful.

Let me tell you why it's powerful. Not because I'm so smart, because I'm addressing two diseases that kill businesses slowly, every day of the week, two words, two diseases kill businesses. Maybe you can relate to this as executives. Companies die every day because they don't have focus, their management team lacks focus, and they don't have alignment from the rest of the management team around that focus.

The beauty of this statement is that it gives executive teams precise focus around which they can

align, not just their executive team but the whole darn company.

Not theory, fact. Case in point, many years ago I stumbled across this device. We took a new business, with zero revenues. And in three years in today's dollars we grew it to \$200 million. And we did that with this launch pad right here, the Brand Positioning Statement. This is extremely powerful. This is the New World USP. This is USP redefined as a brand positioning statement. Very powerful and it works.

Now, we have to be careful. When I work with executive teams, we typically take a day or two or longer to facilitate coming to a brand positioning statement. We have got to push back and take a hard look. Just because you created this thing and worked hard doesn't mean it's right. We could be inhaling our own exhaust.

So what do we do? We put that Brand Positioning Statement through a very tough *pressure test* and we look at five key positioning selection criteria. We ask ourselves, would this statement we just came up with, is it ownable or has a competitor already staked out this claim. We get a little bit into military strategy. If somebody else already owns it, you can't have it.

Point 2, is it worth owning? Point 3, is it really us? Here's what I mean by that. Does it really fit with our past, our heritage, our legacy? Does it fit with our present strategy, our pricing, our promotions?

And finally, does it fit, Point C, with our future, where we are going, our vision? If it doesn't, it's wrong. You may have spent two days coming up with this brand positioning statement, it may be very creative and exciting, it's just not going to work. We test it against these things. Is it executable and defensible.

When you get the Brand Positioning Statement right, the power of it is this. It helps companies find their sweet spot. We have to navigate between three worlds. Customer requirements, competitors' weaknesses, and we need to discover our unique DNA, what makes us special, what we own. Our focus is in finding the nexus of those three points. The sweet spot is right there. The brand positioning statement helps you find with precision that sweet spot. It's all about finding your own sweet spot. Not easy to do, it just happens to be incredibly important.

Let me close with this thought. You've got to know what you stand for if you want your customers to know who you are, and be loyal to what you stand for. What's perceived by them, your decision makers is the only reality that matter. Please keep in mind that we are living -- we are deep now in the Information Age, the Internet Age.

What does that mean? It means that everything you do or say is transparent to the customer. The customer is king. He has a penetrating view of everything you are doing. Basically we are all standing out there buck naked. The customer can see exactly what we are doing. Okay?

That leads me to the concluding point. If you want to go to the top of that Loyalty Pyramid, the very first slide, that was the destination, that was our journey today. If you want to get there, there's only one way to do it. You, and also every member of your team, needs to be focused and aligned and deliver your very unique Brand of Best Value every day in every way. And I thank you for your attention.

(Applause.)

MR. SCHELL: We have just a few minutes of questions. Thank you, Bill. I have to confess to you, having worked with Bill for the last year and a half, I'm still learning. His wealth of experience and information has been a great help to us and even this morning I'm learning and taking notes.

Do we have any questions of both Bill and Bob? We have a minute. We have about five, seven, eight minutes. You have all been very patient. Any questions? Any comments?

MR. FACHINA: Bill, when you do your thing, what setting is it in with senior management? This is very interesting from a number of perspectives. But if we were to go through this exercise,

is that, you know, top ten guys, top 50 guys, how do you do it, translates across the whole organization?

MR. HOWE: That's a good question. Tough question, Phil. Thank you. This is not a casual exercise, so if USP is positioning, is USP on steroids, this is a pretty strong medicine here, if you will, and we did take it seriously. I've taken many management teams through this exercise in settings just like this, Phil. Typically, not always, but it's always best if the exercise is preceded by something we call enlightenment, which is, management teams every day think they understand the customer's needs and wants. They may understand what the customers perceive them to be.

Most of the time in a variety of industries we do some very extensive market research first. First thing we are going to do is arm ourselves with the latest facts, what do the customers perceive, what are their perceptions of the space and what are we good at and not so good at. Typically that takes a little bit of time and investment.

So the setting is we always have the CEO and executive team in a room typically off-site for a couple of days and we build up to this. The first thing we do is make sure we have crystallized what is the latest thinking not on our parts, on the part of our customers in the market space, so we begin to plot out what is our position today. We have to live with where we live, we have got to deal with it.

That as a management team, once we are clear on that, that takes some time to get that clarity, once we are clear on that, we go through, I facilitate an exercise where we look at these five elements, we answer these five very fundamental questions and what we get into is at my encouragement, is a very lively debate. This is not about the CEO mandating or dictating anything. This is about the executive team coming to grips with very, very difficult and challenging questions. And there's no room to kid ourselves here. We have got to be brutally honest with what we are good at and not good at. We are talking about our future here.

So the setting is typically at the end of two days, we have crafted a brand positioning statement that's composed of these elements. It's not a work of poetry. Once in a while it's very poetic and very inspiring, but that's usually in the realm of mission statements. This is a little bit more clunky, it's a little more utilitarian. It's meant to be a workhorse statement that we can use as a litmus test filter. We hold this statement up and we say for everything we are doing for our products, our product innovation, customer hires, for marketing, everything we do has to stand up to the brand positioning statement because we bring it to life in everything we do. That's the setting. Thanks.

MR. MCNAIR: Bill, I know that this question perhaps can't be answered, but if anybody could answer it, you could. Help us a little bit about the spin on the difference between dealing with the federal government which is so closely bound by the FARs and the DFARs and dealing with the private customer which, of course, can just in a hot bath over a glass of chardonnay can make a deal. The government can't do that.

MR. SCHELL: Made in the government, too, Carl, may not be public.

MR. MCNAIR: Help us a little bit.

MR. HOWE: The answer is held by this gentleman right here. I'm going to suggest to you, though, that every time we start talking about the brand word, the reputation word, the loyalty word, many people say it's different in our business. That's the consumer world. That's a consumer concept, it doesn't play in my B-to-B space. After a while people invariably are hoping the B-to-G space today. It does take some time to warm up to the concept, but fundamentally people are people and decision makers are absolutely vitally concerned with making intelligent decisions.

Let me say this. People don't buy products or services. People buy brands. And I need to stand up and make this point and emphasize this point just very quickly. Last time I checked,

every customer, even in the government space, was a person. People don't buy parts or services, they buy brands. Why?

They buy brands because brands make meaningful promises and they mitigate risk. Brands make meaningful promises and they mitigate risk. Every single executive even in the B-to-G space, I know without a doubt you are all in the risk management and mitigation business. It's a huge part of your job. You are in the brand building business, therefore, and that's my answer.

MR. STURM: Carl, it's a very good question that you are asking, and when I first looked at this, I looked at it with the same eyes that you are looking at it with. And I think the answer came to me in the similar regard Bill answered but maybe slightly different.

Oftentimes in this industry we look at how we are going to differentiate ourselves in a proposal effort. We want to stand out in executive summary we want to sell to the source selection evaluation and the source selection authority. And we want to stand out in certain very specific ways that target the section end valuation criteria.

These source selection officials, as Bill mentioned, are people and they also have preference and they look at companies as having some value to them to reduce the risk that they have of deployment, and they look at several things including SEPAR, past performance. They look at their involvement in specific subject matter expertise, but that's nothing more than reinforcing the brand statement.

You come up with a brand that reinforces the hypothesis of a company and the way they want to do business with the federal government. Now that we are not looking at systems buying, we are looking at solutions buying, and as I mentioned earlier -- John, would you go back to the original slide.

MR. SCHELL: High-tech, I'm not qualified.

MR. STURM: Bear with me for a second, I'll get to it. And I think it's important to note if -- this is what I'm looking for. All I need is a pointer. If we are here because now we are buying solutions and not systems, how many people disagree with the premise that we are now in a solutions market? How many people disagree? Show of hands.

How many people think that the government is coming up with the final requirements? Not anyone raised their hand.

My point, Carl, is if that's the case, and this being true, FAR 15.01 states: The less definitive the requirement, the more development work required. And the greater performance risk, the more technical or past performance considerations play a dominant role in source selection. That means it's built upon preference.

Preference is not determined at time of proposal submission. It's built over time and it's built because people are people. So regardless of the fact that, yes, it is different from the commercial space, deals are not made in the bathtub. Deals are not made -- I guess some deals are made on the golf course, but it's only a premise of a relationship that those are made.

The value that you bring as a company is determined over a great deal of time. And that's, all starts with the brand promise, how you reinforce that promise every day in every way. Does that answer your question? Okay.

MR. SCHELL: I've been around Washington for a long time and 20 years ago the answer might not have been in the FARs but it was always who wrote the spec. Who is using my competitor or my client's competitor. Any other questions?

MR. STURM: That's a very good point John brings up. In the task order, how many times is it the expression in this town, you get to eat what you kill. How many people have heard that expression? If you get to eat what you kill, that means that you already wrote the spec or you influenced the spec in some way. You've already earned the trust of the decision maker where they are relying on you as in that loyalty pyramid, trust it, okay. They are not going to take your

advice if you are not on the loyalty pyramid. How you get to that trust pyramid of the pinnacle. What's the outcome of that? John just mentioned, writing the spec. So it's a very good point John mentions.

MR. SCHELL: It's almost time. It's your time, we don't want to keep you late. We will be around for a few minutes if you would like to talk to Bill and Bob. We appreciate your coming. I'm sorry for those that couldn't make it and it is a very tough time. We'll face it bravely and with confidence. Thank you.

(Applause.)

(The seminar was adjourned at 9:25 a.m.)