



# ADDING VALUE TO YOUR COMPANY

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The other day I heard a well-respected merchant complain about the state of her business. "It's the worst year we've had since 1985," she said. You could see the frustration and weariness in her eyes. She was worried at a time of life when she thought she should be enjoying the wealth of the business.

Unfortunately, there are too many business owners who are experiencing similar feelings and circumstances. It seems that hard work doesn't guarantee the peace of mind that it once did. When your business or "the market" gets like this, it's good to recall a few business basics.

Academics talk about "economic utility" when describing the ability of goods and services satisfying customer wants. Utility is a measure of satisfaction and it also determines v-a-l-u-e. In giving products value, five utilities contribute to the process.

**Form Utility** - the value given to a product through the act of combining materials and components that make the product.

**Time Utility** - the value given to a product because it is available at the time it is needed.

**Place Utility** - the value given to a product because it is where the product is wanted.

**Information Utility** - the value given to a product by the fact that it can provide the user with helpful information.

**Possession Utility** - the value given to a product by virtue of the fact that the purchaser has the legal right to own and use it freely.

When a retail merchant buys finished products and puts them on display shelves, "place utility" is provided. If seasonal gifts arrive after the season, merchants lose "time utility/value" because the items were not available when needed. When merchandise is out of stock, time and place utility are diminished and customer satisfaction suffers regardless of how well you provide information to shoppers. When a shopper asks a sales clerk where a particular product is and the clerk doesn't know, all five utilities are without value even if the product is there. Get the idea?

## KEY TO BUSINESS SUCCESS

A key to business success is to provide customers with as much

utility (value) as possible. Adding value requires an action that somehow changes the product or service in some distinctive manner. **The value that a business adds equals the price of the product less the purchased materials.** When a company adds labor to fashion raw materials or components into finished goods (form utility), it adds value to the products.

Grocery stores add "form utility" to hamburger meat (that's about to spoil) when they turn it into cooked chili. Not only is the cost of product spoilage averted, grocers capture a higher price for the ground beef when it's in a steaming bowl of chili.

Arts and crafts retailers realize the extra profits available by adding value through form utility. One owner takes colorful, inexpensive ceramic animals and, with the help of a friend, incorporates neon lighting into the product. Of course, the ceramic items command a much higher price when they become "art."

So business owners have a choice. They can either complain about how lousy the market is (and it probably is) or they can do something to

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increase the value of their businesses. Customers, vendors, employees, and the owners' families would prefer they opt for the latter choice.

### FIVE WAYS TO ADD VALUE TO A BUSINESS

**1. Open your mind.** Embrace change. It is the only constant in a dynamic marketplace. Just because dad was slow to try new things or different approaches, that shouldn't preclude you from it. For most businesses, the days of opening the store, stocking the shelves, and expecting customers to walk through the store on a sustained basis are gone. Today, merchants have to do more. Keep an open mind when it comes to reaching customers. Many companies have jumped into market leadership positions by reaching untapped market niches.

**2. Look around.** Some businesses in your community fare better than others during economic downturns. How come? What do they know or practice that you don't? Make a list of the companies that you admire and identify their best business practices. There's no shame in emulating the best. Ask questions. Seek advice from customers and employees. They know more about your market than any industry expert ever will.

**3. Focus.** When you cut away all the glitzy frills, business success becomes a matter of solving customer problems. Often, those problems have little to do with prices, advertising media, product attributes, or store location. Success depends on how you relate your business to each customer and how your company makes it convenient and comfortable for customers to trade with you. Focusing on customer service is the easiest way to add value to your business.

**4. Take a step.** Try to be the first in the community to do something positive for the business, e.g. customer services, creative marketing, aggressive merchandising, and/or customer appreciation. Don't be like everyone else. If you're selling the same balloons as eight other stores in town, the major determinant of sale is price and that's where you lose. Always solicit advice from customers when it's time to make buying decisions "at market." Be ready to adapt to changing markets – that's where your strengths lie.

**5. Manage your business.** Take control of your company; it isn't a game or hobby. Competition exerts some pressure, but you're still the decision maker. Remember to plan, set reasonable goals, and measure the results regularly. Track what comes into and what goes out of the business. When the workweek becomes too hectic to allow you the time to manage, the business is in danger. Expect the company to succeed. Profit is not a residual effect.

So if things are not going so well with your company, don't blame....

- The competition;
- The torn-up street or sidewalk;
- Your computer;
- The Mega-Mart Center along the highway;
- The next community;
- Those ungrateful customers;
- Back-stabbing vendors;
- An uncooperative city administration;
- Your underpaid (and under-trained) employees; or
- Those lazy in-laws.

It's your company. Manage it. ■

*Jim Watters is a management consultant for the Oklahoma Main Street Program. Reprinted with permission from Oklahoma Main Street News, Fall 2006.*



### TOURISM MARKET TRENDS

"Hot tourism trends include culinary adventure, learning experiences, artists in action, event tourism, public markets, and cultural experiences."

Roger Brooks,  
*7 Immutable Rules of Successful Tourism*

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real estate firms to develop a marketing campaign for local listings. In Hopkinsville, Kentucky, for example, realtors developed "Sold on Preservation" signs.

At every opportunity, collect e-mail addresses to use for fund raising, special events, and promotional campaigns.

Market your Main Street program's progress and investment through downloadable resources, such as electronic newsletters, annual reports, membership lists, streetscape plans, etc. These allow the public to view downtown progress and investment. ■

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*Assistance was also provided by Diane Comer, the public information officer for the Kentucky Heritage Council.*