

Sales Strategies



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Are You Selling to the Wrong Customer?

Ever since the economic downturn, the behavior of consumers and their spending has noticeably and permanently changed. We've said goodbye to legacy companies such as Kodak and Borders and are seeing the rapid loss of market position of market leaders such as McDonald's and Macy's.

Along with this are confusing media reports that, on one hand, consumer spending is dramatically down while, on the other, consumers are buying record amounts of iPads, organic produce, and barista-made coffee.

What's going on? Who's really spending the money here? And, more importantly, what does this mean for your business and who should you be aiming to sell to?

In seeking to understand this question, a book called *One Hundred Thirteen Million Markets of One*, written by Australian social analysts Chris Norton and Ross Honeywill, is especially informative. These two authors conducted extensive studies from a broad cross-section of consumers over a 10-year period. Some of the findings are the basis of much of what follows, in that it relates to you and your business.

Two Types of Consumers

Most consumers can be grouped into two categories, both of which possess very different motivators behind why they buy and what they buy. Unexpectedly, each of these two categories includes consumers of all ages, incomes, and social backgrounds. What's interesting is



that neither of these demographics are as influential as you might expect, nor are they indicators of motivation for spending. Over the 10-year study period by Norton and Honeywill, not one consumer moved from one category to the other, not even if their social position or income changed. What's critical is that each consumer type was very different in the decision-making values they brought to their buying behavior.

Consumer Type 1: Traditionals

The "Traditional" consumer represents 52 percent of the consuming population and, when it comes to buying, they are typically driven by the "Deal." Research revealed that buying decisions for Traditionals are largely influenced by three main factors:

- Price – The ultimate goal is to get the best quality at the lowest price.
- Status – Will this purchase help enhance social position?
- Features – Does the purchase offer more bang for the buck, with extra bells and whistles?

Prior to the recession, Traditionals were the dominant consumer group. Traditionals are easy to understand and identify, as they respond to the factors business owners have learned to expect, such as discounts and coupons. To these buyers, the deal is everything.

As the economy became more difficult, Tradition-

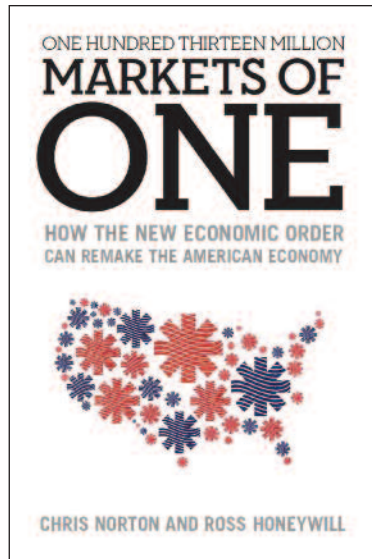
Don't market to Traditionals when you should be courting NEOs

als mirrored this and dramatically reduced their discretionary spending, but they didn't change their values. In fact, they just became more intensely focused on these values than ever before, only choosing to make a purchase if the deal was so good that they couldn't turn it down.

At times when there were no deals to be made, Traditionals would simply wait until either the deal came back or would look elsewhere for another deal. Thus, the dramatic growth of group discount marketing such as Groupon was favorable to the Traditional type of consumer.

But for any business considering deep discount marketing strategies, it generally means reducing margins so much that you need to find ways to significantly reduce costs and overhead to avoid taking a loss. This can be especially difficult if you don't have significantly high or inflated margins to begin with.

What makes this strategy exceptionally hard for a typical custom framing business is that a majority of the cost of a



Based on more than 10 years of research, Norton and Honeywill's book redefines the rules of consumer demographics in the new economic age.

typical custom frame is labor (time). The question custom framing business owners need to ask is how they cut labor without employing cheaper staff, paying themselves less, or making frames faster—all of which come with predictably negative consequences.

Given that today's Traditional consumer is more loyal to price than people or product, even if you win their business today, unless they can get the same deal the next time around, there's no guarantee you'll retain their business.

Consumer Type 2: NEOs

"NEO" is an acronym for "New Economic Order." The NEO consumer is driven by the search for something different, something extraordinary. NEOs seek products and experiences that are unique, and they're happy to pay for it. In this regard, custom framing is ideally suited to meet these demands.

NEOs make their buying decisions in very different ways than Traditionals. Although price is important to all consumers, NEOs don't place as much priority on it as Tradition-



als. What's more important is that they need to feel connected with a product. A custom frame can provide not just a functional benefit but also an emotional benefit, which is a value sought after by NEOs.

NEO Consumer Values

NEOs prefer products that help them express their own individuality and make their buying decisions on a much wider range of personal values that wouldn't typically register for a Traditional buyer. These include:

- Design – Not only does a product need to look and feel great, but it also needs to contribute to its function in an elegant way. A perfect example of this is an iPhone.
- Provenance – NEOs place high value on products and services that are individual and have a desire for something genuinely special.
- Authenticity – NEOs want the real deal and have little tolerance for copies or substitutes. Think about the growing demand for hand-made barista coffee or the popularity of sourcing organic produce or artisan cheese from a local farmer's market. These emerging markets barely existed 10 years ago, but they are now flourishing, permanent sectors of the economy, uniquely designed to meet the demands of

the NEO consumer. Likewise, consider that custom framing is a product made by a craftsman, potentially from high-quality materials. Sadly, authenticity and quality are not always obvious with custom framing, so consideration needs to be placed on how you educate NEO consumers that your products and service specifically live up to these values. This requires carefully considered branding, marketing, and merchandising.

- Who they buy from – In looking to express their own values in what they buy, NEOs place high value on who they buy from. Apple vs. Microsoft is a good example. Microsoft's market response to rolling out a series of concept retail stores to compete with iconic Apple stores failed dismally. Microsoft's imitative action in this regard was perceived by NEOs to be plagiaristic. Also, consider Microsoft's short-lived venture of the "Zune," a reflective knockoff of Apple's iPod. Due to poor choices like these, Microsoft has lost credibility and is becoming another dominant company losing market share.
- Discovery – NEOs avoid aggressively marketed mainstream products and prefer the process of searching and making their own discoveries, especially if they can proudly share their little "discoveries" with their friends.

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Economic Importance of NEOs

The economic significance of NEOs has grown rapidly. While all consumers cut back on things that may not have mattered to them, spending by NEOs on products they connected to actually went up. In fact, NEO spending is far more consistent through economic highs and lows. Once again, Apple is an ideal example. Thanks to its anti-corporate legacy and cutting-edge products, Apple's sales boomed at full, undiscounted prices, even through the worst of the recession. Other examples of products that grew significantly during the tough economic climate were Mini motor vehicles, Zappos footwear, and Ben & Jerry's ice cream.

Research revealed that not only do NEOs represent 46 percent of the population, but they are also responsible for 77 percent of consumer spending. In fact, 93 percent of consumers who can be classified as big spenders are NEOs. These studies also verified that NEOs are not just younger consumers but are represented in virtually every demographic, regardless of age, social position, occupation, and wealth.

NEOs prefer to connect with people and smaller boutique products and businesses rather than generic corporations. These values potentially suit the typical business model for a custom framer and could represent new opportunities

for business. However, the key to harnessing the powerful potential of NEOs is understanding their unmet demands and aligning your product and business with their quest for individualism.

What This Means

The combination of improving technology and tough economic conditions has led to changes in society, causing both Traditionals and NEOs to focus on their own values more than ever. This has dramatically widened the gap, increasing the differences in marketing strategies that work for each type. It also means success is no longer achieved by trying to be everything to everyone. All consumers spend money on what they value. Once you decide which consumer type you are trying to sell to, NEO or Traditional, you need to choose an appropriate strategy and stick to it. **PFM**

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