

***Renovating Your Business Model—
An Example for a Media Training Business + the Three Laws of Power Selling***

Introduction

Bill Farley (not his real name) is certainly one of North America's top media. For 20 years, his media training biz has gone nowhere but up and up, until the last 12 months that is.

Like all business models, you need to review it from time to time and Bill got 20 years out of his business model, which is fantastic, really. Most b. models would be lucky to last 12 months without change and 36 months without REALLY SIGNIFICANT changes.

So Bill called in the b. model Doctor (moi) to fix the sick patient (aka, his b. model).

So here is what I suggested:

1. Media training is essentially on the 'tail' side of a business; people don't usually want media training until something goes wrong. So selling it to a CEO before he or she or his or her corporation gets in trouble with its PR is a hard sell.
2. Having said this, enough have gotten into trouble or have taken the time to think ahead, that Bill's business has done very well.
3. The 'pixie dust' in his business model has been to charge a flat fee of, say, \$4,500 for a four hour media training session—whether it is only for the CEO or the CEO and ten of his or her top executives—so the per person cost is anywhere between \$400 per person (a bargain) to \$4,500 per person (hmm). This has worked well and has provided Bill's Company with a great revenue stream until it kind of petered out this year.
4. But I didn't want Bill to jump from what he knows so well to something where he has no expertise. He was considering creating an online course but I told him not to do this because: a) it would be very costly to develop, b) it would be very costly to market, c) his 'students' would miss out on a vital aspect of media training—i.e., RL (Real Life), in-class exposure to Bill. Imagine taking a sales course from Tony Robbins without Tony? Whatever you may think about Tony, he is very energetic, quite funny and has encouraged a lot of people to try to make better lives for themselves but without Tony in the room with you, it would be pretty much worthless. Same for Bill, I think.

So, basically, I tweaked his biz model in two significant ways.

No. 1: We extended Bill's training to include *sales* training and *negotiation* skills. This puts Bill on the 'teeth' end of a business. Companies look at their operations in two basic groups—teeth (things like sales and selling) and tail (things like accounting and, say, media training). Today, people (read 'CEOs') want to 'invest' in the teeth of their business; they will invest in almost anything that they think will increase their revenues. Markets are so competitive that *anything* that improves the odds of closing deals for their sales teams is a relatively easy sell for Bill.

No. 2: After Bill does a sales training seminar (or even if they never attend a sales training session with Bill, *per se*), he gets the trainees to sign up for monthly conference calls and/or webinars (that's a conference call with some type of web content—right now Bill is using Power Point presentations. So everyone is on the conference call and has the same power point slides in front of them on their PCs. Later on, this could get much more sophisticated but for now, this will do. Hearing Bill (who is witty and smart) is almost as good as seeing him).

This second change to Bill's b. model has three key advantages in that it: a) brings the cost of having a tier one trainer like Bill actually train a salesperson down to a reasonable, per capita amount, b) brings Bill *recurring* revenues that he didn't have before and c) gives sales trainees continuing (monthly) access to Bill so that they don't simply get a one time benefit (as so many do from Tony Robbins seminars) and then forget everything Bill has taught them—everyone needs to be inspired, reminded or goaded from time to time to achieve their goals and objectives.

For example, the cost of one hour to 90 minutes of Bill's time once per month for 12 months is around \$30,000. Now, it would be tough to get someone to pay \$30,000 per annum to get Bill on a conference call once per month. But Bill can effectively handle up to 30 people on a monthly coaching conference call—he can relate to them individually at that scale and he can scold them when necessary, for example, if they are backsliding in terms of achieving their monthly goals...

This works out to just \$83.33 per month per trainee to get access to Bill and just about any CEO can justify \$83.33 per sales person per month to get access to someone as credible and talented as Bill. Bill gets recurring revenues and \$30,000 per annum for 12 to 18 hours of his time as a coach—that works out to anything from \$1,666.67 to \$2,500 per hour for his time, about what he is now getting for in-person media training and, in fact, a bit more.

So we have 'renovated' Bill's business model—we have updated it, added some more pixie dust, made it an easier sell and put his business back on a growth curve with higher profitability too. It will also be harder to duplicate—every former (retired and on a pension) newscaster can set himself or herself up as a media

trainer with few overheads and undercut Bill but it will be a lot harder for them to add sales training (since they mostly know nothing about selling) and negotiating (ditto).

The Franchise or Concession

Every business needs to have some type of 'franchise' and I use that word in the old fashioned sense of a concession. How would you like to own an exclusive license for the US Government's National Park Service, say, to operate the Mule Train* that takes visitors down the Bright Angel Trail to the bottom of the Grand Canyon, where they can stay overnight in a sacred valley at Phantom Ranch?



Now that's a Heck of a Concession

Or how would you like to own the Leaning Tower of Pisa as your own personal tourist attraction or how would you like to be the Hudson's Bay Company and get the sole rights (circa the 16th and 17th Centuries) to exploit Upper and Lower Canada's beaver pelt industry or be the King of Portugal or Spain and have dispensation from the Pope to exploit half the globe each (circa the 15th Century) or...

Now what is Bill's franchise or concession? Obviously, his franchise is ... himself. He is such a brilliant media trainer (and former standup comic too) that his pixie dust is hard to duplicate. When applied to sales training and negotiating skills training, he is simply extending his franchise.

The Three Laws of Power Selling

Here below are *Firestone's Three Laws of Power Selling*. First, I'll iterate them and, second, I'll see if we have successfully tweaked Bill's business model so that it is now in alignment with the Three Laws of Power Selling which are—

- Law No. 1: Thou shalt get on the same side of the table as thine customer or client.
- Law No. 2: Thou dost sell a solution.
- Law No. 3: Thou shalt demonstrate that thy solution is a negative cost—that thy customer's or client's costs decrease or thy customer's or client's revenues increase or both.

When I was doing some consulting with GradeAStudent.com, I told them that if they adopted Law No. 1, they would greatly increase the sales of hardware and software they sell. Their main business is at-home computer service—fixing your PC, installing software, getting your network to run, etc., etc.

But clients naturally trust them to buy hardware and software too. I told them instead of trying to sell their customers stuff; they should put their suppliers on the other side of the table. So basically a GradeAStudent.com techie would say to a customer: “I can get you the XYZ virus scan software from Acme for 200 bucks and it does everything including block spy ware and ad ware and pop ups as well. Or I can get you something cheaper from Pirate Software Co. for \$99—it scans for viruses but doesn't block pop ups...” Now the GradeAStudent.com techie is taking on the role of trusted advisor—he is on the same side of the table as the client. The suppliers are on the other side. If the client doesn't like any of the options, the techie can then say: “Look maybe I can get you a better price from Acme or Pirate or maybe I can find something that will suit you better from someone else.”

In either event, the client isn't saying 'no' to GradeAStudent.com and they aren't buying from GradeAStudent.com—they are buying from their suppliers. The question of GradeAStudent.com's margin and markup isn't likely to come up at all—it will be the suppliers who will most likely take heat if the pricing is wrong. GradeAStudent.com can back away from any solution with no loss of face and they can't be cornered by a client using this technique. Anyway, this kind of non-selling, selling is extremely powerful.

Another client of mine, a web developer at EnvisionOnline.ca was asking how he could apply Law 1 to his business. I thought about it a bit and came up with this example for him. He has designed a web site for a Home Heating and Air Conditioning Company (HHAC, not their real name). I told EnvisionOnline.ca: “Why not turn HHAC into a quote machine instead of a seller of AC units or furnaces?” The idea would be for HHAC to consult with their clients, get on the same side of the table and spec two or three different solutions for them. Again, HHAC clients would (hopefully) tend to see HHAC's suppliers as the entities they are negotiating with not HHAC.

Now is Bill's new business model obeying Law 1? Sure it is. Bill has climbed over to his client's side of the table—he is, after all, teaching his client sales people how to sell—by definition, he is on their 'side'.

Law No. 2 involves 'solution selling'. I am always amazed at how many sales people make a sales call on a prospective client knowing next to nothing (or sometimes absolutely nothing) about the potential client's organization and its problems and challenges. It's hard to sell a solution when you don't know the problem.

Solution selling is all about knowing a client's business and business model in incredible detail so that your product or service addresses, in a very direct way, at least one of their key issues.

Solution selling often involves self-financing offerings, where the money the client needs to have in order to pay you for your services or products doesn't actually come from them but from their clients; i.e., the client's clients.

I worked with one NPO (Not for Profit) outfit and we devised an entire program for them that cost them \$100,000+/- to implement but generated more than \$600,000 in net funds from event participation and sponsorship. They never had to reach into their (short) pockets for a dime.

Furniture sellers and auto dealers do this all the time—they provide attractive financing deals (OAC) like 'don't pay a cent until (some point in the future)' or super low interest rates. But I have been involved in acquisitions where the acquiring company ends up with more cash *after* buying another business than they had before. These are called 'accretive' financing deals—they can be cash accretive or earnings accretive or both. This is another, more complex form of solution selling. I am selling a company for a client but I am finding a way to provide the acquiring company with the financing to do it...

Real Estate transactions can often be like this too. It's a form of Bootstrap Capital.

This is a form of Law No. 3—negative cost marketing. You have to be able to show a client (and really show it using a spreadsheet) that by hiring you or by buying your product, their costs will go down or their revenues will go up or both. To do this, you have to know how your customer's business (model) actually works. Study your client—it pays off, big time.

Now Bill's new business model is a cinch for Laws 2 and 3; he is definitely solving his client's problem (not enough sales) and if he can't demonstrate that he is increasing the monthly sales volumes of the people he coaches by at least \$83.33, he either isn't tracking their sales (which every good coach should have his trainees do) or he isn't a very good sales trainer, in which case they should fire him anyway.

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* Over 600,000 people have taken the trip and it's not a Railroad by the way—it's a tight, compact group of mules (a 'train' of mules) taking scared witless riders down a one and a half metre wide trail with a 1,000 foot cliff on one side, straight down. The Mule Trains (there are two of them: one on the North Rim and the other on the South Rim) are operated by NPS Concessionaires on a license basis.

<http://www.dramatispersonae.org/EntrepreneurialistCultureFrontPage.htm>

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