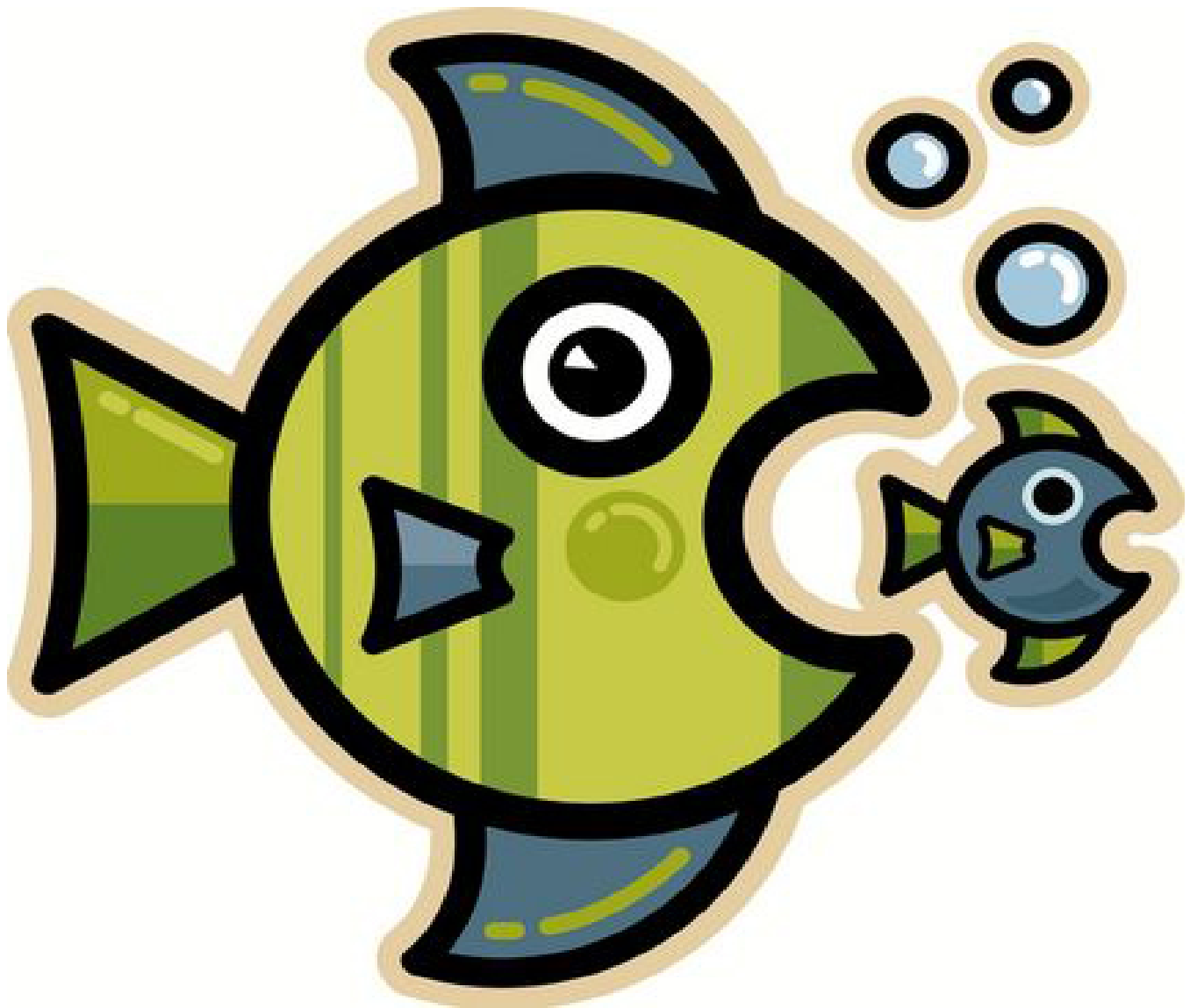


Merger mania is impacting our daily lives. At the bank, grocery store, doctor's office and even the veterinarian's office. Big companies are gobbling up smaller companies leaving customers with fewer choices, less service and less innovation.

Think Big Act Small.



BY ROB FEY

Good idea vs. bad execution? In theory, controlling more of the market, and lowering costs through economies of scope and scale makes sense. However, the reality is quite different. In the majority of cases it's a good idea that is poorly executed.

US Air met its goal of becoming the largest US airline (in terms of number of daily departures), changed its name to USAirWays then lost thousands of customers and millions of dollars.

The same story is re-created in virtually every category. Customers lose out because "corporate level" economics drive the decision making rather than what's best for the customer. This is short-term thinking that only benefits stockholders. To win long term, the customers must receive better quality, more selection and service and greater value.

Why Smaller Is Better

Simplicity is the antidote for today's overwhelmed society. Big business isn't simple, it's complex. Call a small business to inquire about a service and you're likely to get the owner who can give you the information you need (real time) and actually schedule a next step. Call a conglomerate and you're likely to get an endless do-loop of voice menus, 1-800 "hold lines" and multiple transfers. I recently called IBM to get a manual for my new computer, which came with instructions in French. Twelve phone calls later they finally agreed to send me a manual without charge. That's right, they wanted to charge me \$17 for a manual for my new name-brand computer!

Nimble vs. numb. Small business owners are nimble and quick with decisions. They have to be. Conglomerates are slow, side-ways thinkers who are numb to the needs of the marketplace. Why? They are simply far too removed from the action. Small business owners live and breathe with the customer. Large

business discusses the needs of the customer monthly at their customer satisfaction meetings.

Small is big. Some 96% of all businesses are under \$5 million in sales. Companies prefer to service companies of like size and stature. The Fortune 500 serve the Fortune 500. For example, Price Waterhouse's strategic plan is to target companies over \$1 billion in sales. That leaves a lot of leftovers for the rest of us.

Stop moaning, do something for the customer. Instead of joining the rest of the world in sideways thinking and the bigger is better mantra, do something bold, better or different.

Out-execute on a specific customer need. Choose a specific customer type and then a figure out what need you can satisfy best, better or differently than the big guy. Then execute it to the Nth degree.

Instead of joining the rest of the world in sideways thinking and the bigger is better mantra, do something bold, better or different.

Targeting specific segments of your customer base and understanding their need prioritization is key. Southwest Airlines chose specific short run markets and focused on two customer types; the business flyer and fringe leisure traveler. They attracted business travelers with more daily departures and superior on-time arrivals. The fringe leisure traveler was wooed by prices so low it was cheaper to fly than drive, therefore vastly expanding the market.

Exploit the magnitude of difference versus the big guys. Apple computer's growth in the 80's was due in part to the magnitude of difference between IBM. Whatever playing field you choose to compete on (price, service, value, inno-

vation) make it meaningful to your customers. Deliver something that is better, quicker, faster or more flexible. Make your closeness to your customer pay off by adding local flavor and knowledge that the national monoliths can't touch. Dare to compare and rejoice in the difference.

Ask why not? rather than why...innovate. Necessity is the mother of invention. Competing against someone 500 times your size should be reason enough. Innovation requires risk. But if your David fighting Goliath... what do you have to lose?

In its early days of operation, Southwest Airlines had to figure out how to turn a plane around in 30 minutes because it only had three planes to cover multiple routes. They cross-trained and redesigned the process. This innovation not only kept them in business, but also was the foundation for building a long term competitive advantage. Today, they are the on-time

arrival leader because they had to find a better way.

Let's start a counter revolution. Think big. Act small. Nine out of ten mergers you read about this week will produce a slower, more complex, less customer friendly competitor. Let's get busy. Narrow your focus rather than broaden it. Execute a specific customer need to the Nth degree versus trying to be everything to everybody. Rejoice and exploit the magnitude of difference. Think big, act small. ▢

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