

**MARKETING**<sup>TM</sup>  
WITHOUT MONEY

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Marketing without Money™

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**John C Lyons**  
**and**  
**Edward de Bono**

# **MARKETING<sup>TM</sup>** **WITHOUT MONEY**

**How 20 Top Australian Entrepreneurs  
Crack Markets with their Minds**



**PENNON  
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# CONTENTS

<b>ABOUT THE AUTHORS</b>	8
<b>ACKNOWLEDGEMENTS</b>	10
<b>FOREWORD from Dick Smith</b>	11
<b>FOREWORD from Gail Kelly, St.George Bank</b>	13
<b>PRELUDE</b>	15
<b>INTRODUCTION</b>	16
<b>FORMAT OF THE BOOK</b>	25

## **PART 1 – INSPIRATION**

<b>1. MARKETING WITHOUT MONEY</b>	30
Most successful entrepreneurs build something substantial and sustainable from nothing, using conceptual creativity and courage.	
PAUL CAVE – BridgeClimb	35
LES SCHIRATO – Cantarella Bros.	41
ADRIAN DI MARCO – Technology One	47
<b>2. REBELS FOR A CAUSE</b>	54
They pursue a cause that customers truly believe in. They get the customers' attention without even asking for it.	
DICK SMITH – Dick Smith Foods	59
EUAN MURDOCH – Herron	65
PETER FARRELL – ResMed	71
<b>3. UNDERSTANDING HUMAN DESIRE</b>	77
Successful entrepreneurs exhibit an intuitive understanding of how to satisfy their customers' most basic, often unexpressed desires.	
GERRY HARVEY – Harvey Norman	81
CLAIR JENNIFER – Wombat	87
JURGEN KLEIN – Jurlique	93
PETER KAZACOS – KAZ	99

<b>4. CREATING OUTSTANDING VALUE</b>	105
The entrepreneurs' first step to success is simply the recognition that they are not in business to sell products or services, but to create outstanding value – whatever it takes.	
LEN POULTER – Lenards	115
PAUL ADLER AND BRAD BOND – Invizage	121
THERESE REIN – Ingeus	127
GRAEME BLACKMAN – IDT	133
<b>5. BUILDING A REPLICABLE FACTORY</b>	140
Many entrepreneurs have achieved success simply by designing a formula to deliver what previously was only delivered in a customised manner.	
GRAHAM TURNER – Flight Centre	147
JIM McDONALD – MDH Pastoral	153
JOE SARAGOSSI – G James Group	161
<b>6. BECOMING A CAUSE HERO</b>	168
There is a direct connection between entrepreneurs choosing a cause about which they are passionate, and their ability to make their organisation and product famous as a logical solution to that cause.	
RM WILLIAMS – RM Williams	175
CARL WOOD – Monash IVF	181
MAX BECK – Becton	187
<b>INSPIRATION SUMMARY</b>	194
<b>PART 2 – EDUCATION</b>	
<b>7. BEYOND THE FUNDAMENTALS</b>	202
The fundamentals of business thinking such as efficiency, problem solving, analysis of information, and competition are no longer enough.	
<b>8. BEYOND INFORMATION TO CONCEPTS</b>	210
Technology and information have become commodities. What now matters are the application concepts.	
How Dick Smith uses concepts	218
How Les Schirato uses concepts	220
How Len Poulter uses concepts	222

**9. BEYOND COMPETITION TO SURPETITION** 225

Competition is necessary for survival. It is simply part of housekeeping and establishing the baseline. Surpetition is an attitude of mind, a strategy, and a matter of concept design.

How Paul Cave achieved surpetition	235
How Graeme Blackman achieved surpetition	237
How RM Williams achieved surpetition	238
How Max Beck achieved surpetition	241

**10. BEYOND PRODUCT VALUES TO INTEGRATED VALUES** 243

Business has passed through the stage of product values to competitive values. The next stage is integrated values – values that integrate into the complex lifestyles of customers.

How Clair Jennifer integrates her value	251
How Carl Wood integrates his value	253
How Adrian Di Marco integrates his value	255
How Therese Rein integrates her value	257

**11. BEYOND MAKING PRODUCTS TO MAKING VALUE** 260

Assembling the building blocks for a new or vastly improved business, product or service means designing a value bundle to attract the people who will be most affected.

How Peter Kazacos makes value	274
How Jurgen Klein makes value	275
How Euan Murdoch makes value	277

**12. BEYOND BRAINSTORMING TO SERIOUS CREATIVITY** 280

Moving beyond ineffectual methods of encouraging creativity, such as the release of inhibitions and brainstorming, to specific creative techniques that enable everyone to be creative, even the conformists.

How Gerry Harvey is seriously creative	294
How Joe Saragossi is seriously creative	296
How Paul Adler and Brad Bond are seriously creative	298

<b>13. BEYOND IDEAS TO CONCEPT DESIGN</b>	301
Concepts may be designed around defined market needs or the organisation's asset base, or they may be extracted from ideas already in use.	
How Graham Turner designs concepts	308
How Jim McDonald designs concepts	310
How Peter Farrell designs concepts	312

<b>14. BEYOND TECHNICAL R&amp;D TO CONCEPT R&amp;D</b>	315
In order to take concepts seriously, there is a need for a formal concept research and development function or group. The concept function is not adequately handled by conventional corporate strategy. Concept research and development should be treated every bit as seriously as we now treat technical research and development and all other significant functions.	

<b>SUMMARY</b>	327
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## **APPENDIX**

<b>SERIOUS CREATIVITY: SOME INTRODUCTORY LESSONS</b>	334
1. Look for alternatives	335
2. Focus your thinking	338
3. Challenge existing ideas	340
4. Create ideas from random entry	343
5. Be deliberately provocative	345
6. Explore using concept fans	348
7. Harvest your thinking	350
8. Treat your ideas	352
Further information and training	354

<b>INDEX</b>	355
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# ABOUT THE AUTHORS



Mr **John Lyons** is an Independent Non-Executive Company Director with over two decades of experience in independent corporate governance. He is Chairman of Tamawood Limited and Softlink International Limited; Director of CreditLink Services Limited, O'Reilly's Rainforest Guesthouse, and Shahmann Farms; Trustee and board member of The Royal Children's Hospital Foundation, and Jupiters Casino Community Benefit Fund.

Lyons has learned business and entrepreneurship from the ground up. He founded and spent two decades as CEO and then Executive Chairman of Marketshare Pty Ltd, which grew to become a leading national strategic research and marketing company. In 2000 he sold Marketshare to a publicly listed data-warehousing and information technology company, dedicating himself to independent directorships.

Prior to founding Marketshare, Lyons had a distinguished eleven-year corporate career with global chemical company Bayer. In each of his first three years with the company he achieved recognition as Bayer's top Australian salesperson. Then as a national product manager and national marketing services manager he researched and launched some of Bayer's most successful products in the Australian market.

Lyons holds the degrees of Master of Business Administration from the University of Queensland, and Bachelor of Business from the University of Technology Sydney. He is an Associate of the Australian Society of CPAs and a Fellow of the Australian Institute of Company Directors. He is a former Queensland Chairman of the Australian Marketing Institute and of the Market Research Society of Australia. He has authored some 400 newspaper and journal columns on entrepreneurship and marketing, most recently for *The Australian Financial Review*.



**Dr Edward de Bono** is widely regarded as the world's leading authority in the field of creative and conceptual thinking, and the direct teaching of thinking as a skill. He has authored sixty-five books translated into thirty-five languages on the topic of thinking. His sessions, invariably sellouts, are sought after by business, government and education globally.

Edward de Bono was born in Malta and graduated from the University of Malta. He proceeded as a Rhodes Scholar to Oxford, where he earned his MD, and two PhDs. He has held faculty appointments at the University of Oxford, Cambridge, London and Harvard.

He is the originator of the term 'Lateral Thinking' which has an official entry in the Oxford English Dictionary, and the extremely popular 'Six Thinking Hats' concept. Peter Veberoth, who organised the Olympic Games in Los Angeles, and for the first time ever turned a profit, attributed his success to the use of De Bono's lateral thinking tools. So did John Bertrand, skipper of the successful Australian challenge for the America's Cup. There are four million references to Dr de Bono and his work on the internet.

His corporate clients include: IBM, DuPont, Prudential, Siemens, Electrolux, Shell, NTT, Motorola, Nokia, Ericsson, Ford, Microsoft, AT&T, and Saatchi and many more. The international Astronomical Union recently named a planet after Dr de Bono in recognition of his contribution to humanity. A group of South African University professors compiled a list of the 250 most influential people in the history of humanity and included Dr de Bono. At an International Thinking Conference in Boston, Dr de Bono was given an award as a pioneer in the field of 'teaching thinking'.

# ACKNOWLEDGEMENTS

Sincere thanks.

Despite having authored more than 400 newspaper columns as a hobby, this is my first book, and I am indeed honoured to have Edward de Bono as my co-author. Since I first met Edward more than a decade ago, his world-leading and seminal work in conceptual creative thinking has been an inspiration, providing valuable new insights into the true drivers of business success.

I am indebted to the generosity and support of so many people. My wife Jocelyn, and our daughters Julia, Sophie and Lucy, my extended family and many friends and business colleagues, sometimes unwittingly, have helped shape the thoughts of a passionate marketing mind, still discovering its way forward after more than thirty-five years of concentrated business experience and learning.

Edward de Bono and I are deeply indebted to the entrepreneurs whose remarkable intellectual and experiential insights we have endeavoured to reflect and interpret in this book. With their extraordinary generosity and input, we believe this book serves as a true inspiration and education for its readers.

We sincerely thank our major corporate sponsor St. George Bank, and other generous supporters of *Marketing without Money*. You have made possible the much wider distribution of this important knowledge to many individuals and companies, to the ultimate benefit of Australian business success as a whole.

To Bev Friend and Allan Cornwell of Pennon Publishing, to our editorial assistant Stephen Phillips of Jarvis Moon, and to the Australian media who have been so supportive of this work, especially *The Australian Financial Review*, Edward de Bono and I are deeply grateful for your support and confidence.

*John C Lyons*

# FOREWORD

from Dick Smith



Dear Reader

I think success in my life has come from copying the success of others. That has meant asking advice, looking at what other companies and countries do and then following the best. In the electronics business

I would travel the world learning and copying from the best of my competitors, because each had evolved into doing certain things a better way. While each company was generally about as efficient as the other, each had developed particular ways which were superior. For example, one had a very good mail-order system, so I copied that. Another had the best catalogue, so I copied that. I continually copied the best concepts and ideas and brought them together under one roof. I have made every mistake you can make but I remember and have learned from every one of them.

I had no idea that Dick Smith Electronics would ever be any bigger than just one shop. I had no plans for that because it was beyond my comprehension. I actually had quite an inferiority complex because I had always loved electronics but all my friends had gone off to university and I was simply a radio repairman. I started selling electronics in a modern way, and expanded it to around fifty shops. At that point I realised it was getting too big and difficult to run. I rang Woolworths and they bought it for \$25 million. Very simple.

With Dick Smith Foods, I could see the country is being sold off and everyone is concerned about it, so I decided to take advantage of that. You satisfy people's concerns and you do something worthwhile at the same time. That makes you feel good. If I wanted to make money, I would stick to electronics where you can make a fortune. You certainly wouldn't be going into food where the margins are so low. I am an adventurer; I love having challenges and tilting at windmills.

## MARKETING WITHOUT MONEY

Since I started the Variety Club Bash in Australia, Variety has raised over \$70 million in seventeen years to help kids. I had to find a way to get wealthy people to part with their money because if you simply phoned them up and asked for a donation, they would say no. Also, I'd always wanted to go in the equivalent of a Redex trial following the trail of Gelignite Jack Murray, and I knew a lot of other blokes did too. So I thought how can I get people to come with me on a car trial. Then I thought of the idea of allowing adults to generally behave and cheat like kids. They had two alternatives, either drive fast to win or bribe the judges by writing a big cheque for charity.

When I went into business, I had little money – only \$610. No one would lend me any money, but it taught me some wonderful disciplines. The difference between success and failure is a razor's edge in just about everything. Even though a company can make huge profits, you can turn it to losses very easily.

In *Marketing without Money*, John Lyons and Edward de Bono have captured the real-world experience and learnings of twenty of Australia's top entrepreneurs – essentially how they successfully entered markets without money. They have aggregated, then distilled this knowledge to its essence, and have packaged it so that others may follow. This is vital practical knowledge for people who want to create their own future and the future of Australia, not be driven to it by others.

A handwritten signature in black ink, reading "Dick Smith". The signature is written in a cursive, flowing style with a large, sweeping initial "D".

Dick Smith

# FOREWORD

From Gail Kelly, Managing Director,  
St. George Bank



It takes a great deal of courage and a lot of hard work to become a successful entrepreneur. The insight this book provides into how others overcame their fears and used their creativity and determination to achieve their vision is invaluable.

I've always believed that listening to other people's experiences is one of the most powerful ways of gaining knowledge. Knowledge that can then be applied directly or indirectly to any business situation. That is why *Marketing Without Money* is such an important book. It allows us to experience first-hand the strategies and tactics that have worked for those who have been successful in their chosen field.

One of the key themes of the book is creativity and the importance of using innovative ideas to achieve goals and overcome problems. It is an approach that I wholeheartedly support and a philosophy adopted by St. George. We are constantly seeking ways to strengthen our partnerships with our business customers by giving them new tools to increase their chances of success.

That is why we are pleased to be associated with this book and ensuring that the insights it contains are shared across the business community. As the authors say: 'The first step to success is simply to recognise that you are not in the business to provide products and services, but to create value' (p105).

The contribution of small businesses, and the entrepreneurs who run them, to Australia's economy should never be underestimated. The people and companies in this book are familiar to all of us. As you read their stories, you'll find common themes such as a passion to succeed, a determination to overcome obstacles and the creativity to see opportunities others would miss.

The values and principles outlined in the book are an integral part of

## *MARKETING WITHOUT MONEY*

the St.George culture. We recognise the importance of listening to our customers and of thinking outside the square to provide solutions to help their businesses grow.

I'm a great believer in establishing a long-term relationship with customers, becoming a part of their business and sharing their goals and dreams. By adopting this partnership role, I believe we add value over and above that which is expected.

St.George is delighted to have the opportunity to be involved in *Marketing Without Money*, which I believe will contribute significantly to promoting the entrepreneurial spirit in Australia.

A handwritten signature in black ink that reads "Gail Kelly". The signature is written in a cursive, flowing style with a large initial 'G'.

Gail Kelly

# PRELUDE

There is no single, simple formula for success. Winners are constantly rewriting the rules and redefining what it means to play the game. Yet successful entrepreneurs share some defining common traits and behaviours.

‘BUSINESS MUST BE RUN AT A PROFIT, ELSE IT WILL DIE. BUT IF YOU RUN A BUSINESS SOLELY FOR PROFIT, THEN ALSO IT MUST DIE, FOR IT NO LONGER HAS A REASON TO LIVE.’ — Henry Ford

Successful entrepreneurs pursue an elevated cause that customers, staff and stakeholders truly believe in. A cause much sweeter than the pursuit of profit itself.

.....

‘THINK DIFFERENTLY AND BE DIFFERENT, EVEN WHEN YOU’RE SUCCESSFUL.’  
— Les Schirato

Successful entrepreneurs are always looking for alternatives, deliberate pattern-breaking thinking that is forever seeking the unexpected move.

.....

‘SUCCESS IS BUILT ON TRUST. QUALITY, THAT’S A MATTER OF HONESTY WITH YOUR CUSTOMERS.’ — RM Williams

Because successful entrepreneurs intuitively understand basic human desires, they are constantly inventing new and outstanding value.

.....

‘HAVING A BUSINESS MODEL THAT’S REPLICABLE IS IMPORTANT, BUT I SUPPOSE THAT’S JUST COMMON SENSE.’ — Graham Turner

Successful entrepreneurs establish a system for their business that can be easily replicated and improved.

.....

‘BUILDING A REPUTATION FOR QUALITY IS VITAL. BUT YOU HAVE TO DO MORE THAN JUST SAY IT.’ — Max Beck

Successful entrepreneurs build and nurture their fame and reputation for delivering outstanding value.

# INTRODUCTION

*'The significant problems we face cannot be solved at the same level of thinking we were at when we created them.'* – Albert Einstein

*'The difference between brilliant and mediocre thinking lies not so much in our mental equipment as in how well we use it.'*

– Edward de Bono

In this book we reveal how twenty of Australia's finest contemporary entrepreneurs have managed to crack new markets, with little or no initial financial backing, stealing a march under the very gaze of supremely better-resourced and well-entrenched opposition.

We show how, by intuitively applying *conceptual creativity*, these entrepreneurs discover and implement new *business, product and service concepts* which remove them from the competitive rat race, and which create a new race in which they can lead.

We demonstrate that, while most business people are constrained by patterns of thinking to conformity with industry norms and practices, highly successful entrepreneurs deliberately challenge such convention, doggedly discovering and pioneering new concepts that previously either had not been considered or were regarded as unpromising.

We lift the veil on what may appear to be masterstrokes of entrepreneurial brilliance and even extraordinarily good luck, to reveal and illuminate a replicable trail of opportunity recognition, creative conceptual thinking and thorough implementation which others can follow. We expose entrepreneurial solutions which, though perfectly logical in hindsight, eluded the then conventional business thinking of the day governed largely by analysis and logic.

## Marketing redefined

We define marketing quite simply as *'creating outstanding value and being famous for it'*. In our view, business and marketing are one and the same. In business, we create profits by creating value for others which exceeds

the price they are prepared to pay in exchange for that value. If the value produced is outstanding, then – all other things being commensurate, especially the cost of producing that value – profit will be outstanding.

Much conventional marketing is focussed on selling what the organisation has chosen to produce. Indeed, many so-called marketing departments are effectively promotion and sales departments. Others deal primarily with advertising and communication management. Without devaluing the importance of those activities, it can be said that marketing is too important and all-encompassing to an organisation's success to be left purely to the marketing department.

If one accepts the simple definition that marketing is creating outstanding value and being famous for it, then an organisation's chief executive is its chief marketing officer, and the board is responsible for setting marketing direction and policy. Without that focus by leadership, the remainder of the organisation can hardly be expected to be focussed on the creation and communication of outstanding value at the coalface.

## Marketing aligned with shareholder value

Perfectly aligned with the purpose of good marketing is the ultimate purpose of good business – to create outstanding value for shareholders. An outstanding return to shareholders rests on the creation of outstanding value for customers; value for which customers are prepared to pay an appropriate premium, not simply a commodity price. So the creation of outstanding value for customers drives the delivery of outstanding value to shareholders.

There are two ways to increase the gap between revenue and cost. You can increase the revenue per unit produced and/or decrease the cost of producing each unit. A major part of what we include in the cost of production is the cost of marketing. Hence the concept of *Marketing without Money* is designed to underscore the necessity to penetrate and serve markets as inexpensively and efficiently as possible and to maintain that penetration, and to grow it, at a lower than industry-average cost.

## Learning from Australian entrepreneurs

A core skill of successful entrepreneurs is to enter markets against entrenched competition, without the resources usually already available to that competition, and to build and sustain profitable market share.

Frequently, entrenched competitors create even higher barriers to entry when they sense that a new entrant may possibly erode long-term industry profitability if allowed to get a market foothold. So, for many entrepreneurial entrants, the barriers to entry are raised even higher in the short term in order to restrict their entry to the game.

The skill of marketing without money is an imperative not only for entrepreneurial organisations, but also for established, better heeled competitors who want to improve their market position and profitability simultaneously and rapidly.

Our goal is to make that skill as simple and clear for others to acquire. In essence, we seek to equip you with the thinking processes and tools that will lead you to great success in business, mirroring the remarkable achievements of some of Australia's most successful entrepreneurs.

## The competition mind trap

We show that the notion of competition is a dangerous and seductive trap which limits and restricts business thinking. Anyone involved in running a business needs to move beyond competition.

We all know about the global marketplace and that in order to survive you must be competitive. You must be able to compete. If you cannot compete, you do not survive. So what is wrong with competition?

The paradox is that you cannot truly be competitive if you seek to be competitive. The key word here is 'survive'. It is of course perfectly true that you must be competitive in order to survive. Giant retailers like Sears have to cut their costs considerably to be able to survive against other retailers such as Wal-Mart with its advanced computer systems and higher sales per square metre. If your costs and values are out of line, you may cease to survive.

But any organisation that plans just to survive will sooner or later find itself out of business. Only those organisations that plan for success will survive, while those that plan only to survive will fail. Water is necessary

for soup – but soup has to be more than water. So competition is important as part of the ‘baseline’ for survival.

In the same way there are many things that are necessary, but not sufficient, for business to survive (for example, cost control, quality control, etc.), just like water for soup. Competition is one of the things that are necessary for business to survive, but it is not sufficient. A serious mistake that many executives make is to believe that competition is the key to success.

## Surpetition

We show how sustained entrepreneurial success demands going beyond competition to ‘surpetition’.

The word ‘competition’ comes from the Latin and means ‘seeking together’. It means choosing to run in the same race as your competitors. The word ‘surpetition’ means ‘seeking above’. Instead of choosing to run in the same race, you choose to create a new race – one in which you can lead, rather than be a ‘me-too’ follower and competitor.

There is serious overcapacity in car production in many countries. At one time Edward de Bono suggested to Ford in the United Kingdom that it should buy a British company called NCP (National Car Parks) which owned most of the car parks in city centres throughout the UK. If NCP became a Ford company, a notice could be placed at the entrance to all city-centre car parks indicating that only Ford cars could use them.

A car is no longer just a lump of engineering. If your neighbour boasts that his lump of engineering is better than your lump of engineering, you could point out that you can park in the city, and he cannot. The ability to park is very much part of the ‘integrated value’ of a car if you have to drive in a city. So is the ability to resell a car, have it serviced, and have it insured.

Ford did not take up the idea of buying NCP. They said that as an engineering company it was not their business to buy up car parks. In the future, some entrepreneurs probably will buy up or build car parks and then get the Koreans to make private-label cars for them. They will sell, park, insure and resell cars. Manufacturing will only be a service to this profit centre, and the manufacturing margins will be squeezed.

As everyone knows, the classic competitive response to oversupply, for example in cars, is to slash prices and offer rebates. Surprisingly, competitors do the same. You may succeed in shifting sales forward in time, but then buyers get used to rebates and wait for them before buying again.

The suggestion that Ford should have bought up city-centre car parks is an example of surpetition.

Surpetition is about creating ‘value monopolies’ – monopolising the value you have created in the new race. Some ways of achieving a monopoly are illegal, but value monopolies are not. For survival, you need competition, but for success you need surpetition and the creation of value monopolies.

## Integrated values

How do you create value monopolies? Value monopolies are driven by concepts, and concepts are in turn driven by serious creativity.

In order to understand value monopolies you must realise that there have been three phases in business.

1. The first phase was simply based on making available a product or service. It was production driven.
2. The second phase was based on competition, because a lot of people were now providing the same goods and services.
3. The third phase, which we are now just entering, is based on integrated values. No longer do we live in a world of simple values where a car is just a piece of engineering.

A good example of integrated values was created by Ron Barbaro, at one time head of the Prudential Insurance Company in Canada. Using lateral thinking techniques, he came up with the idea of ‘living benefits’. This was a significant change in the very traditional business of life insurance, which had been unchanged for decades. With traditional life insurance, the benefits are paid out after your death to your family or other beneficiaries. Ron Barbaro’s concept was to have seventy-five per cent of the benefits paid out immediately if a policy holder was diagnosed as having a potentially fatal illness such as cancer or AIDS.

This meant that the money was now available for extra care or medical attention. The concept was immensely successful, and was one of the reasons Ron Barbaro was soon promoted to the head of Prudential in the United States.

This is an excellent example of integrated values because it integrates life insurance into the lives and values of people. There are single people, people who divorce and split up, children who grow up and become self-supporting, and many others. For some of them, many of the original purposes of life insurance are gone. At the same time there are factors like AIDS and the expense of medical care that create new purposes.

## Concepts and creativity

Barbaro created a simple concept change. Life insurance is traditionally seen as related to death; his concept emphasised life, and he had the courage and drive to see the concept through.

Generally speaking, many managers are not particularly happy when working with abstracts such as concepts. There is an impatience with concepts and an urgent desire to be given 'hands-on' tools. Many want to be doing rather than thinking.

This is not surprising. For a long time countries such as Australia and the United States were pioneering societies, and in such societies action is indeed more rewarding than thinking: you need to clear a few more acres for grazing, drill a few more wells, open a few more stores, and so on.

Today however, the world is more crowded. Unthinking action is not going to be rewarded. On the other hand, a concept change may be rewarded very handsomely. A new concept is unquestionably the best and cheapest way of getting added value out of existing resources.

## Concept research and development

Up to now, however, our approach to concept development has been haphazard. There has been the 'me-too' approach in which we wait for someone else to develop the concept, and then we jump in with a similar copy of it. In addition, we have assumed that as intelligent, able people we will come up with needed concepts when necessary. This attitude to concepts is not good enough today.

In the future we are going to have to take concepts so seriously that we

will be setting up specific concept research and development groups or departments for the intellectual engineering that needs to take place. Car manufacturers and chemical companies, for example, spend billions of dollars each year on technical research and development. Today however, concepts are even more important than technology, and we shall have to take their development very seriously indeed.

Business schools have always taught students about how to analyse information and how to make decisions. Today this is totally inadequate. The analysis of information and decision-making are part of the maintenance aspect of management, part of the water in the soup. The emphasis must now shift to conceptual thinking, not instead of information analysis and decision-making, but in addition to them. What concepts are going to be derived from information analysis? By itself the analysis of information can never yield the concepts that are hidden in the information. What alternatives are available for decision-making? Analysis can only yield some of the alternatives; the rest must be produced by creative conceptual thinking.

Unfortunately, the approach to creativity has been very weak. There is the mistaken notion that we are all basically creative, and it is only necessary to remove our inhibitions and fears of being ridiculous in order to release that innate creativity.

We now know from the behaviour of self-organising information systems (like human perception) what we need to do. We know that the brain is not designed to be creative and that in order to be creative we have to use some methods that are not 'natural'. We must begin to develop systematic methods of serious creativity. We will be discussing these later, particularly their relevance to concept development.

## Valufacture

Concepts are about value. Surpetition is also about value. The future success of any business is going to be all about value.

It is strange that although we deal so much with values, we do not have a specific word to describe the creation and formation of values. There is convenience in having such a word because it allows us to look at things in a different way and to devote much more effort to the specific creation of values. More than a decade ago, Edward de Bono created the

word ‘valufacture’, defined as ‘the creation and formation of values’. There is an analogy with ‘manufacture’, which has to do with the creation and production of objects.

## The age of contraction

Many people in business feel that we have entered the age of contraction. There have been two recent ages of expansion. The first age of expansion was driven by traditional marketing. Traditional marketing was going to create needs and open up markets. Marketing was the main competitive tool for taking market share from others. The second age of expansion was driven by ‘gobble growth’. You gobbled up other organisations in order to increase market share. During this period there were all sorts of rationalisations about market synergies and critical survival size (often provided by investment bankers who liked the large fees involved).

In many respects, these two ages of expansion have now passed. The present mood is for consolidation. Acquisitions have to be digested. Corporate executives are looking inward. There is cost-cutting and slimming. There is laying-off of people. There is divestment of unprofitable businesses everywhere.

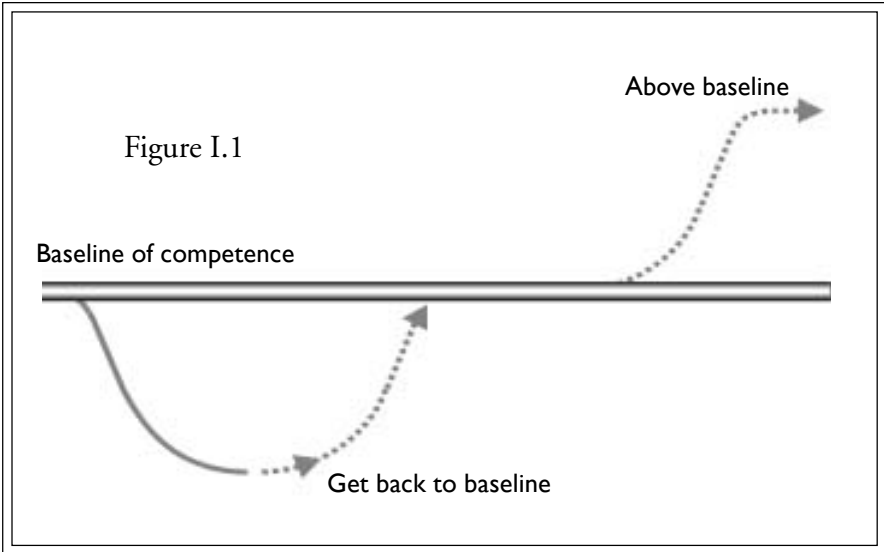
As part of this looking-inward, there is an emphasis on cost cutting and cost control. There is an emphasis on quality management. All these things are important and necessary but they are not enough. You take aspirin when you have a headache, but you cannot survive on a steady diet of aspirin.

Figure I.1 shows that if you fall below the baseline of competition, you need to get back to that baseline. But just being on the baseline is not enough. You have to do better than that.

The purpose of consolidation, contraction, quality and all the rest is to provide a firm baseline for venture. In the end you have to provide values that customers want. Having the best quality product at the lowest price is no good if that product does not offer significant value.

There is serious danger that the current emphasis on what we would call ‘housekeeping’ may divert attention from the very essence of business, which is to provide outstanding value.

The essence of business can be summed up in the following four ‘C’ words:



- *Competence*: the quality, efficiency, effectiveness and accomplishment of what you are supposed to be doing.
- *Control*: the cost control, strategy, and knowledge of what is going on.
- *Care*: care for the customer, for the workforce, which is ultimately your most precious resource, and for the community (for example, environmental concerns).
- *Creativity*: the soul of the business. Without creativity you have a body with no soul. Creativity provides the value that is the whole purpose of any business.

So the overall message is that creative conceptual thinking is going to become ever more important. Every successful organisation is going to have a three-part strategy:

1. Get the housekeeping right.
2. Develop the concepts for surpetition.
3. Have an energetic follow-through.

# FORMAT OF THE BOOK

THIS BOOK IS DIVIDED INTO TWO PARTS: INSPIRATION AND EDUCATION.

## Part 1 – Inspiration

A look at the fundamental thought processes, behaviours and experiential learnings of twenty of Australia's most outstanding contemporary entrepreneurs. Most of these people were selected for inclusion in this book based on an independent assessment by a panel of experienced judges who chose them as finalists and/or winners of The Australian Entrepreneur of the Year Awards. These annual awards are sponsored by Ernst & Young in Australia and several overseas countries. The judging panel had access to the full financial history and other performance measures of the entrepreneurs' organisations, and hence was in a position to be rigorous in its evaluation process.

Each chapter of Part 1 is dedicated to a particular skill common to most of the entrepreneurs, and includes our selection of some excellent examples of that skill, very often quite intuitively rather than consciously applied.

**Chapter 1 – Marketing without money** is inspired by the skill of our researched entrepreneurs to develop and persist with concepts which frequently enable them to create a new race in which they can lead – *to build markets from nothing*. Paul Cave (BridgeClimb), Les Schirato (Cantarella Bros), and Adrian Di Marco (Technology One) are outstanding examples of creative conceptual thinking being applied to leverage modest resources.

**Chapter 2 – Rebels for a cause** shows how entrepreneurs engage public sentiment to their commercial advantage by *elevating the cause* for which they are fighting on behalf of the customer. Dick Smith, Euan Murdoch (Herron) and Peter Farrell (ResMed) are outstanding examples of this skill.

**Chapter 3 – Understanding human desire** examines how entrepreneurs think beyond the ‘expressed’ needs of customers and staff, creating concepts that respond to *higher order different needs*. Gerry Harvey (Harvey Norman), Clair Jennifer (Wombat), Jurgen Klein (Jurlique) and Peter Kazacos (KAZ) are excellent examples of this skill.

**Chapter 4 – Creating outstanding value** shows how successful entrepreneurs ‘make’ outstanding value, going *beyond* the constraints of competition to create a new race in which they can lead. Len Poulter (Lenard’s), Paul Adler and Brad Bond (Invizage), Therese Rein (Ingeus) and Graeme Blackman (IDT) are among the leading exponents of this skill.

**Chapter 5 – Building a replicable factory** shows how some entrepreneurs create new value just by refining and *making replicable* previously customised ways of producing value. Graham Turner (Flight Centre), Jim McDonald (MDH) and Joe Saragossi (G James Group) well exemplify this skill.

**Chapter 6 – Becoming a cause hero** shows how entrepreneurs who create a new race become the *acknowledged authority* or hero for their elevated *cause* using this position as a powerful communication tool for brand building. RM Williams, Carl Wood (Monash IVF) and Max Beck (Becton) are good examples of this entrepreneurial skill.

## Part 2 – Education

Without exception, our researched entrepreneurs have moved beyond competition to surpetition. They have broken free from the shackles of conventional industry concepts and practice. Albeit *informally and intuitively*, they have applied creative conceptual thinking to *develop highly successful new concepts* which achieve a purpose and deliver value. With experience, they continue to refine and improve those concepts and create even stronger value monopolies. Challenging and continually changing the status quo, even that which they have created, has become a life-long habit.

This section, based substantially on the research and creative conceptual

thinking principles developed by Edward de Bono, shows how you can follow in the thinking footsteps of Australia's leading entrepreneurs. It plots a course to take you *beyond* where general business focus and thinking is now *to* the new level of thinking you need to achieve surpetition. Each chapter explains an important step or thinking transition in this process. Further, we show how each of our researched entrepreneurs has in effect applied such thinking. Once the principles of concept research and development are understood and learned, achieving surpetition becomes a replicable process, rather than random.

**Chapter 7 – Beyond the fundamentals** looks at some of the most fundamental habits of management thinking – efficiency, problem-solving, maintenance, and error-avoidance – and shows why even these fundamental habits need rethinking.

**Chapter 8 – Beyond information to concepts** shows how technology is becoming a commodity. What now matters are the application concepts. Concepts are every bit as important as finance, raw materials, labour and energy. It is not enough to rely on 'me-too' copying or the haphazard use of creative intelligence. We need to take concepts very seriously. Concepts are the basis of surpetition.

**Chapter 9 – Beyond competition to surpetition** shows how surpetition will be the basis of success in the future, and how to go beyond competition to surpetition. Competition is necessary for survival. It is simply part of housekeeping and establishing the baseline. Surpetition is an attitude of mind and a matter of concept design.

**Chapter 10 – Beyond product values to integrated values** shows how the value you offer must be integrated into the complex life values of the buyer or consumer. Business has passed through the stage of product values to competitive values. The next stage is integrated values.

**Chapter 11 – Beyond making products to making value** shows how to assemble the building blocks for a new or vastly improved business, product or service by bundling a set of values designed to attract the

people who will be most affected. We use four fundamental drivers of value as those building blocks.

**Chapter 12 – Beyond brainstorming to serious creativity** shows how, in any self-organising system, like human perception, there is an absolute mathematical need for creativity. We move beyond ineffectual methods of encouraging creativity, such as the release of inhibitions and brainstorming. We show specific creative techniques that enable everyone to be creative, even the conformists.

**Chapter 13 – Beyond ideas to concept design** shows how surpetition is achieved through integrated values, serious creativity, and concept design. Concepts may be designed around defined market needs or the organisation's asset base, or they may be extracted from ideas already in use.

**Chapter 14 – Beyond technical R&D to concept R&D** shows that, in order to take concepts seriously, there is a need for a formal concept research and development function or group. The concept function is not adequately handled by conventional corporate strategy. Concept research and development should be treated every bit as seriously as we now treat technical research and development and all other significant functions.

# PART 1 Inspiration

## Chapter 1

# MARKETING WITHOUT MONEY

Like an ambitious child from a humble background, starved of the leg-up that a wealthier family might have provided, entrepreneurs' initial shortage of resources is almost certainly their most salutary and valuable lesson in developing the very skills that make them succeed. If they are to realise their ambitions, *they must use creative brainpower and guerilla cunning as a direct substitute for money.*

*Most successful entrepreneurs build something substantial and sustainable from nothing, using creative conceptual thinking and courage as their main resources.* Their challenge is dramatically different from the business-school-trained professional manager who enters and leaves somewhere in the continuum of an organisation's life, picking up the reins, husbanding and hopefully growing others' wealth, before moving on. Successful entrepreneurs punt their own money, and there usually is never enough to go around. Borrowing substantial money early is typically out of the question. Traditional lenders have safer pickings to pursue. Without money these entrepreneurs drive a wedge into the jealously guarded market domains of usually well-established and supremely better-resourced competitors.

They begin with no reputation or brand, and no money to build it quickly in textbook fashion. They have to win the trust and respect of potential customers who seem to have many safer choices. *Frequently they are effective in altering the criteria for selection, because they could not win otherwise.*

Prospective staff see them as an interesting though risky choice for

employment, but enough are swept up by the passion and enrolled in the mission.

While words of encouragement abound from those whose commitment the entrepreneurs believe they need most, conventional sources of financial support and distribution, available to established players, are usually denied them. *Inevitably though, necessity becomes the mother of creative invention.*

The mind of the business-school-trained professional manager has been programmed to follow a pattern of thinking for which the inputs are typically situation analysis, scenario development, business case and resource allocation – a thinking pattern driven by logic and rational competitive assumptions. *By comparison, the successful entrepreneurial mind is driven by the moment, accustomed to practising deliberate pattern-breaking thinking, ever searching for the overlooked opportunity, and for concepts that might enable it to be exploited.*

Their success in marketing without money is rooted in five habits in particular:

- *Rebels for a cause* – A persistent focus on *identifying an emerging cause that will engage the customer's mind*.
- *Understanding human desire* – A persistent focus on *understanding the most basic human desires* that underpin what people will value.
- *Creating outstanding value* – A persistent focus on *creating concepts that deliver outstanding value* to satisfy future needs, not just today's.
- *Building a replicable factory* – A persistent focus on *designing systems and processes to deliver their value consistently*.
- *Becoming a cause hero* – A persistent focus on *making their company and their product the cause hero*.

Each of these habits is previewed below, and is dealt with in detail and illustrated in the following five chapters of Part 1 – Inspiration. Then in

Part 2 – Education, we show how these habits can be refined, learned and duplicated by others in the form of concept research and development.

## Rebels for a cause

Being much the same as others in any walk of life is a good way to blend in and not be noticed, not a good way to build a brand. Successful entrepreneurs go out of their way, some intuitively and some deliberately, to be provocatively different, to create an individual personality for their business. Their philosophies and statements, their value propositions to customers and staff, their product and service offerings and their delivery processes are designed to make people stop in their tracks, think, and frequently change direction.

In Chapter 2 we show how entrepreneurs typically pursue a cause that *customers* truly believe in. They get the customer's attention without even asking for it.

Today, most Australians have adopted the retention of Australian-owned companies' profits and jobs as a national value and responsibility. The provocations of entrepreneurs like Dick Smith (most recently with Dick Smith Foods) and Euan Murdoch (founder of Herron Pharmaceuticals) have capitalised on and served to heighten awareness of and interest in this cause. Peter Farrell (ResMed) and his advisory board of high-profile medical practitioners have done much to raise consumer and professional awareness of the significance of sleep in a healthy lifestyle.

## Understanding basic human desire

Customers are only human. They are driven by a primal quest to satisfy their most basic desires and needs. Chapter 3 introduces the foundations of what drives human desire and explores the different levels of desire, preparing you for later chapters that examine how value is created.

Successful entrepreneurs actively look for the unexpressed desires of customers. *They are focussed on what people will discover they need tomorrow*, seldom on today's expressed needs that define the current rules of competition. To rely on today's expressed needs is to be locked in to being a 'me-too' competitor, to be relegated to 'n'th place behind entrenched participants.

Instead these entrepreneurs understand that *customers can't tell you what*

*they want until they know what is possible. If you ask customers what they want, basically they will only tell you what they already have.*

## Creating outstanding value

Successful entrepreneurs recognise early that they are not in business to sell products or services, but to create outstanding value by integrating what they offer into the basic desires of customers and other stakeholders.

Chapter 4 shows how typically they assemble the building blocks for a new or vastly improved bundle of values designed to attract the people who will be most affected. Sometimes, they do not change the intrinsic value offering, but concentrate on how to radically improve the efficiency and cost with which it is delivered.

*Finding integrated values is somewhat similar to looking at the spaces in a painting.* You look at the customer and the relationship (or space) surrounding that customer. The customer is already integrated into the world. With integrated values we seek to integrate into existing values, taking us beyond traditional product and competitive values.

## Building a replicable factory

The road to ruin is paved with entrepreneurs who discovered the value, made it famous, but then failed to deliver it well or profitably.

Chapter 5 explores how successful entrepreneurs, almost without exception, have narrowed the focus and simplified the demands of replicable delivery with systems that guide and support ordinary people in the delivery of extraordinary outcomes.

## Achieving a hero reputation

Chapter 6 shows the creativity of successful entrepreneurs in harnessing opportunities to attach their products to meaningful emerging causes. This has not only guided their value creation, but also has led in many instances to millions of dollars worth of credible media publicity for their products and the causes.

Meanwhile, most entrenched players in the food and pharmaceutical industries, for example, continue to play the conventional public relations game of product-focussed press releases and publicity stunts, and wonder why they are relegated to back-seat coverage with little community word

of mouth. They have not created or furthered a cause. They have not integrated themselves into what is more fundamentally important to the customer.

### **Cave, Schirato and Di Marco**

Paul Cave (BridgeClimb), Les Schirato (Cantarella Bros) and Adrian Di Marco (Technology One), whose stories follow in this chapter, are good examples of the habits that lead to extraordinary success in marketing without money. Their seeming diversity of approach and execution of such habits, and those of the remaining seventeen researched entrepreneurs, should not be allowed to mask the definite commonalities they all share.

# Pauli Gave



# PAUL CAVE

## **Our job is to enable our customers to make heroes of themselves**

Using creative thought and determination, Paul Cave, founder and chairman of BridgeClimb, has created a \$50 million dollar business in just a few years, effectively monopolising an internationally famous Australian icon brand he doesn't own, capitalising on huge advertising he doesn't pay for, and sending a personally delivered word-of-mouth recommendation through one million customer heroes to arguably 100 million prospects around the world. And this is just the beginning.

When Paul Cave made no less than fifty-two presentations in the late 1990s in an attempt to raise \$12 million to fund a business that would enable millions of people to climb the Sydney Harbour Bridge, the predominantly merchant banking targets thought it was a fascinating opportunity, but not for their money. In the end, it was another entrepreneur, Brett Blundy, who Cave says 'put money into this within sixty seconds of my telling him about it and became my first major shareholder'. Analytical minds struggle where there is no precedent to rely upon. Clearly Blundy, like Cave, searches for opportunities where there is no precedent.

Just three years after BridgeClimb opened the Bridge to climbers, Cave says the business is climbing 300 000 people per annum (two-thirds of them international visitors) and achieving a turnover of \$50 million. He talks privately of a bottom line that would make Warren Buffet green with envy. Since commencement, the company has distributed over one million dollars in special thank-you bonuses to its 280 staff.

Cave isn't really surprised at the success of BridgeClimb. Since he first conceived the idea about a decade ago while on a bridge climb with his YPO (Young Presidents Organisation) forum, he was forced to take plenty of time to think the concept through.

## As an entrepreneur, you couldn't have found anything more frustrating

‘AS AN ENTREPRENEUR, YOU COULDN’T HAVE FOUND ANYTHING [THE BARRIERS] MORE FRUSTRATING. THE FIRST LETTER FROM THE GOVERNMENT GAVE BASICALLY SIXTY-FOUR REASONS WHY NOT’, he says. Having been on the receiving end of so many ‘No’ answers has made Cave decidedly a ‘Yes’ man. Having now made it possible for blind and deaf people to make the climb, the next challenge to be overcome is to climb people in wheelchairs, and he is confident of success.

Fortunately, Paul Cave’s analytical economics background has not masked his creative marketing ability – not only to sense a basic business opportunity that has been staring Australians in the face since 1932, but also to see beyond the simple climb to the higher order monopolisable value that is already generating extraordinary wealth for the company. BridgeClimb’s projection, that it will pay an estimated \$130 million to the Roads and Traffic Authority of New South Wales over twenty years for exclusive tourism rights to arguably Australia’s most internationally-recognised built icon, pales into insignificance when one considers the real value of the asset ‘leased’.

While the Harbour Bridge itself is perhaps worth a billion dollars as a structure, its value as an established international brand and icon is far greater, probably in the order of tens of billions. The brand is being built further and maintained by word of mouth and advertising in an extraordinary manner. Being a world-first consumerised bridge-climbing experience means of course powerful first-mover advantage. But being on an already world-famous bridge in the centre of Australia’s largest and most visited tourist city is another monopoly.

But that’s by no means all says Cave:

‘THE AUSTRALIAN TOURIST COMMISSION HAS SPENT SOME \$20-30 MILLION SHOWING COMMERCIALS FEATURING BRIDGECLIMB TO THE REST OF THE WORLD TO BRING PEOPLE HERE. ELEVEN HUNDRED JOURNALISTS CLIMBED THE BRIDGE DURING THE 2000 OLYMPIC GAMES AND THE PUBLICITY THEY GENERATED COULD HAVE REACHED AN ESTIMATED 2.5 BILLION PEOPLE WORLDWIDE. THAT ADVERTISING AND PUBLICITY HAS COME TO US AT NO COST.’

## **Every climber, every time, and there is no exception to that**

The way Cave has harnessed so far more than a million climbers as compelling promoters of his company's message further exemplifies the man's intuitive ability to market without money through customer word of mouth. The value delivery system – company culture, defined procedures, staff training, climber preparation, climber satisfaction measures, etc. – is designed to delight the customer as Cave puts it 'EVERY CLIMBER, EVERY TIME, AND THERE IS NO EXCEPTION TO THAT'. Climbing, now permitted twenty-four hours a day seven days per week, happens as often as every ten minutes whether it is hot, cold, raining or foggy, and the customer ratings (excellent plus good) average more than ninety-nine per cent in all conditions.

Price is not an issue, but providing extraordinary value is, Cave insists. The average price per person is \$145 and a further \$30 is spent on merchandise. He admits that the value people ascribe to the 'Climb of Your Life' experience is a voyage of discovery for him. Once discovered, however, his mind pursues the value like a dog with a bone. For example, 400 (known) proposals of marriage have been made on BridgeClimb, with only one rejection. A technique has been devised so that the ring can be passed safely and securely down a piece of cord to seal the acceptance. Integrated value indeed!

The advice that Paul Cave offers budding entrepreneurs is deceptively simple when one considers the depths to which he has gone to implement his formula.

## **Find something different and unique**

Be clear about what it is and don't stray from that course. Keep driving in pursuit of that goal. He admits that BridgeClimb having the Sydney Harbour Bridge is 'A DREAM COME TRUE', and his international team is working on other icon bridges around the world.

## **Focus your offering and recognise the unique value you deliver**

Don't try to be all things. Be famous for just one thing says Cave: 'WE ARE DOING A VERY SIMPLE THING. WE ARE A FACILITATOR ONLY, TAKING PEOPLE TO THE TOP OF THE BRIDGE. OUR JOB IS TO ENABLE OUR CUSTOMERS TO MAKE HEROES OF THEMSELVES.'

## **Deliver quality every time – let nothing fall between the cracks**

'IF PROSPECTIVE STAFF FIND THAT UNREASONABLE (I.E. THE EVERY CLIMBER, EVERY TIME, CONSTANT MEASUREMENT PHILOSOPHY), PLEASE DON'T COME HERE', Cave says.

# Les Schirato



# LES SCHIRATO

## Australians will never drink strong coffee – you're wasting your time

Twenty-one years ago at age twenty-five, Leslie Schirato gave up his job as sales manager for Fiat, joined the small Italian-food importing business established by his wife's family some thirty-three years earlier and, tongue-in-cheek, wrote a ten-year marketing plan which he hoped would reshape and reinvigorate the business totally.

Today, much to the chagrin of global coffee companies like Nestle, Douwe Egbert, and Lavazza, the Sydney-based Cantarella Group supplies every third cup of fresh coffee drunk at home by Australians. In addition, the company sells as much coffee again into the food service trade, and its *Vittoria* and *Aurora* coffee brands are a familiar sight on café and restaurant umbrellas and cups all over the country. In addition to coffee and coffee accessories, the Cantarella Group has built a seemingly disparate collection of strong carefully-niched brands in food categories such as wine (*Santa Vittoria* and *Luigi Cavalli*), cheese (*Jarlsberg* and *Norwegian*), sardines (*King Oscar*), mineral water (*Santa Vittoria* and *Aurora*) and tea (*Natureland*) – some imported, others locally produced.

## I am going to build these products regardless

‘EVERYONE TOLD ME WHY I WOULD NEVER BE ABLE TO DO IT, AND I GUESS I WAS TRYING TO PROVE MYSELF AND MY WORTH. SO BY LOOKING AT DIFFERENT PRODUCT CATEGORIES WHERE I SAW OPPORTUNITIES I SAID “I AM GOING TO BUILD THESE PRODUCTS REGARDLESS”. BUT WE HAD NO MONEY, CERTAINLY NOT ENOUGH TO MARKET THEM, SO I USED GUERRILLA MARKETING TACTICS WHICH I THINK ARE THE BASICS OF MARKETING.’

‘I WROTE THIS PLAN ON VITTORIA COFFEE WHICH SAID THAT THE WAY WE WERE GOING TO BUILD IT UP WAS BY BRANDING EVERYTHING IN CAFES – THE COFFEE CUPS, THE UMBRELLAS AND SO ON – LETTING PEOPLE KNOW THAT THE COFFEE THEY WERE DRINKING WAS VITTORIA. IT WORKED REALLY WELL FOR US, AND SOON VITTORIA WAS EVERYWHERE IN CAFES.’

But home consumption of pure coffee was still very small and so Schirato approached supermarkets. ‘THEY JUST LAUGHED AT ME AND SAID “AUSTRALIANS WILL NEVER DRINK STRONG COFFEE; YOU’RE WASTING YOUR TIME”. IN FACT I GOT KICKED OUT OF EVERY SUPERMARKET IN AUSTRALIA’, he adds. Eventually one Coles supermarket let Schirato try fresh coffee tastings in, of all places, the fresh fruit and vegetable department. Customer acceptance eventually led to the product being put into the grocery section. Today, Vittoria is the category leader in fresh coffee sold through supermarkets, with the powerful global coffee companies’ brands trailing well behind.

What are the lessons to be learned from this man’s success and dogged determination that his company’s core business is ‘BUILDING BRANDS – IN STEP TOGETHER WITH CUSTOMERS, FOR GREATER PROFITS’, flaunting the might of his global opponents?

## Think differently and be different, even when you’re successful

Schirato’s understated manner and conservative exterior mask a powerhouse of opportunistic and creative thinking. He believes that to be noticed in the clutter of products and communication you must think differently and be different. He is not deterred, but rather encouraged by the size of his competitors because they become rule-takers, rather than actively pursuing rule-breaking which he believes has been his success.

He cites one example of running controversial full-page advertisements on *April Fool’s Day* claiming that, because Cantarella had *discovered white coffee beans*, it was no longer necessary to add milk.

‘WE HAD THOUSANDS OF CALLS FOR WEEKS AFTER, TRADE ENQUIRIES TOO, AND WE TOLD PEOPLE IT WAS AN APRIL FOOL’S PRANK AND SENT THEM A FREE BAG OF COFFEE FOR BEING GOOD SPORTS.’ He smiles. ‘WE MADE MORNING TELEVISION AND THE NEWS PROGRAMS, AND EVEN PRESS IN NEW ZEALAND AND CANADA. IT WAS AN INCREDIBLE SUCCESS FOR US.’

Schirato says that this was a landmark in cementing his belief in remaining different.

‘EVERYONE HAD SAID TO ME “YOU CAN’T DO THAT NOW YOU’RE A MARKET LEADER”. SO WE DIDN’T FOR A WHILE, AND I STARTED TO HATE IT. IF YOU BRING IN PEOPLE WHO’VE WORKED FOR COMPANIES LIKE UNILEVER FOR TWENTY YEARS, THEY WANT TO MAKE YOU LIKE UNILEVER AS QUICKLY AS THEY CAN...THEY ALL WANT TO GO BACK TO WHAT THEY’VE LEARNED. THEY DON’T SIT BACK AND SAY “THIS GUY’S BUILT ALL THESE BRANDS WITHOUT MONEY, AND I WANT TO LEARN”. THEY WANT TO MAKE US LIKE THE CORPORATIONS, WHEN EVERYTHING I’VE DONE THAT HAS MADE ME SUCCESSFUL WAS TO BE DIFFERENT. I USED TO BE SO PARANOID ABOUT CRITICISM.’

## **Narrow the focus and manage customers for profit**

The road to prosperity and debt-free stability has had its threatening moments according to Schirato.

‘IN THE LATE 1980s, WE WERE STARING DOWN THE BARREL OF FINANCIAL DESTRUCTION. WE HAD HUGE DEBTS. IT’S AMAZING WHEN THAT HAPPENS AND YOU’RE CLOSE TO LOSING EVERYTHING, YOU GO BACK TO TAKING CONTROL AND YOU DON’T WORRY ABOUT WHAT PEOPLE SAY ANYMORE, BECAUSE IT’S SURVIVAL.’

Faced with a debt of \$10 million and not only losing everything for his family but affecting the families of 150 employees which were his responsibility, Schirato went on to buy out three other family shareholder groups. Today he is the major shareholder with his sister-in-law Clelia Winton.

Schirato blames accumulated debt and profitless volume from being unfocussed, and says at this point he decided to narrow the focus and manage for profit.

‘I WENT OUT AND CHOSE THE CLIENTS WE REALLY WANT TO DEAL WITH, AND THEN I WENT ON TO MANAGE THEM FOR PROFIT...WITH GOOD INTERNAL SYSTEMS THAT CAPTURED ALL THE COSTS OF DOING BUSINESS WITH THAT CLIENT...UMBRELLAS, PROMOTIONS, SERVICE, ETC....AND A GOOD SET OF KPIS.

SOMETIMES I WISH I COULD ACT LIKE THAT WHEN WE ARE DOING WELL. I DON'T MAKE ANY EXCUSES NOW FOR BEING A BIT OF A CONTROL FREAK BECAUSE IT HAS MEANT WE'RE NOW SUCCESSFUL, STABLE AND SECURE.'

## **Work out who you are and what your competitive advantage is and stick to it**

'MAKE SURE YOU DO SOMETHING YOU REALLY LOVE. I LOVE SELLING COFFEE AND FOOD PRODUCTS. THE GREATEST WORK YOU HAVE TO DO IS WORK ON YOURSELF. MAKE SURE YOU KEEP WORKING ON THE ENTREPRENEURS IN YOUR ORGANISATION, BECAUSE IF YOU DON'T LET THEM MAKE A FEW MISTAKES, IF YOU DON'T LET THEM BE CREATIVE, I THINK YOU ACTUALLY LOSE THE WHOLE CORE OF WHAT MAKES THESE PEOPLE SUCCESSFUL', Schirato says. 'SURROUND YOURSELF WITH A GOOD TEAM, NOT SIMPLY GOOD INDIVIDUALS.'

While Schirato is a great admirer of the creative flair of entrepreneurs like Dick Smith, he cautions 'IF YOU'VE GOT FOUR DICK SMITHS IN A COMPANY, YOU'RE IN BIG TROUBLE. YOU NEED GOOD IMPLEMENTERS AS WELL. WE FIND THAT PEOPLE WHO GROW UP THROUGH THE COMPANY ARE THE BEST. THEY UNDERSTAND THE CULTURE AND THE COMPANY.' Doubtless Smith would agree with that.

He stresses that everyone must understand their role in the team. 'IF YOU DON'T HAVE A GOOD LOYAL TEAM, NO MATTER HOW GOOD YOU ARE, YOU'RE NOT GOING TO SUCCEED. AND IT'S THE INTERDEPENDENCE, NOT THE INDEPENDENCE OF EACH THAT HAS MADE US SUCCESSFUL', Schirato adds.

American coffee giant Starbucks recently announced that it had sold its millionth cup of coffee in Australia, the Cantarella Group sells more than a million cups *a day*. Turnover today is \$95 million, employees number about 200, and Cantarella is debt free.

While Schirato's has pioneered fresh coffee in Australia to a level of around fifteen per cent of home consumption, instant brands still have eighty-five per cent. He says that in most developed coffee-consuming countries, the mix is around 80/20 in favour of pure coffee, and that Australian coffee drinkers are still about as discriminating today as our wine drinkers were some ten to twenty years ago. Hence he sees large future pay-off for the 'slow and arduous' investment he's made in leading development of the market.

# Adrian Di Marco



# ADRIAN DI MARCO

## **We Australians undersell what we do and Americans do the opposite**

How has a Queensland software developer with no money, who describes himself as a ‘reluctant entrepreneur’, built a technology company in a mature global market taking on the might of some of the world’s biggest companies, and ended up after just fifteen years in Australia’s top 200 listed companies with a market capitalisation of \$150 million and sustained profitability which has averaged forty-five per cent pa growth since 1992?

Adrian Di Marco started Technology One in 1987 in suburban Brisbane with some financial backing from a satisfied client whose business he had computerised, because he believed he could build better software: ‘I THOUGHT THAT CREATING GREAT SOFTWARE WASN’T THAT HARD, AND THAT MAKING A SUCCESSFUL COMPANY WOULD NOT BE THAT HARD EITHER. I WENT TO THE CLIENT AND SAID “I WANT TO SET UP A COMPANY AND CAN YOU GUYS PROVIDE ME WITH THE CASH?”’

The company Di Marco started announced a FY2002 net profit after tax of \$8.76 million on sales of \$46 million (up twenty per cent on FY2001) after fully expensing the year’s R&D costs of \$8.14 million. Profit before tax and after expensing all R&D has grown at an annual average rate of forty-five per cent pa since 1992.

## **It’s marketing that will grow an organisation, because if you are giving customers what they want, then you are going to build a better product**

‘I HAVE ALWAYS BEEN A VERY STRONG BELIEVER IN MARKETING. IT’S MARKETING THAT WILL GROW AN ORGANISATION, BECAUSE IF YOU ARE GIVING CUSTOMERS WHAT THEY WANT, THEN YOU ARE GOING TO BUILD A BETTER PRODUCT. I AM INTIMATELY INVOLVED IN MARKETING BECAUSE MARKETING IS WHAT DRIVES

THIS COMPANY'S PRODUCT LINE. WE LOOK AT WHAT THE MARKET WANTS BY TALKING TO OUR SALES PEOPLE AND POTENTIAL CUSTOMERS. THROUGH THE MARKETING PROCESS, YOU SIMPLIFY CONCEPTS, IDEAS OR WHATEVER, THEN YOU GIVE THAT TO THE DEVELOPMENT TEAM AND BECAUSE YOU HAVE SIMPLIFIED IT THEY CAN GO AND MAKE IT HAPPEN.'

Di Marco is convinced that the big American software companies have succeeded not because of their technology but because they are great marketing companies.

'WHEN WE STARTED THE BUSINESS... WE WERE SO PREOCCUPIED WITH GETTING THE SOFTWARE RIGHT WE IGNORED THE MARKETING, LIKE MOST AUSTRALIAN COMPANIES DO. WE THOUGHT THE SOFTWARE HAD TO BE MUCH BETTER BEFORE WE COULD SELL IT SUCCESSFULLY. I FOUND IT HARD TO ACCEPT WHEN SOME PEOPLE SAID TO ME THAT OUR SOFTWARE WAS BETTER THAN PEOPLESOFT'S OR ORACLE'S BECAUSE THEY ARE HUGE AMERICAN CORPORATIONS. SO WE ACTUALLY MADE THE SWITCH AND SAID WE'LL BECOME MORE MARKETING DRIVEN... WE AUSTRALIANS UNDERSSELL WHAT WE DO AND AMERICANS DO THE OPPOSITE.'

Di Marco has a rare depth of understanding of what it means to be a true marketing company, not simply a good promoter. While many Australian entrepreneurs, chief executives and boards confuse marketing with promoting and selling what you have, he clearly understands that marketing is the process of creating unique value for customers and other stakeholders, and being famous for it.

How has Technology One set about creating unique value in a very mature and competitive market dominated by huge global players like Microsoft, Oracle and Peoplesoft? Di Marco says:

'WE ARE IN THE REALLY COMPETITIVE HEARTLAND OF THE SOFTWARE INDUSTRY AND WE PROVIDE THE ENTERPRISE SYSTEMS THAT RUN BIG BUSINESS. SINCE COMPUTERS WERE INTRODUCED IN THE 1950s, THESE WERE THE FIRST APPLICATIONS EVER DEVELOPED AND PEOPLE HAVE KEPT ON REINVENTING AND MAKING THEM BETTER AND BETTER. YOU CAN IMAGINE THE LEVEL OF SOPHISTICATION OF SOFTWARE AFTER ALL THOSE YEARS. ANY INDUSTRY COMES DOWN TO THE BEST PLAYERS, SO DIFFERENTIATION IS BECOMING HARDER AND HARDER.'

Adrian Di Marco is quietly confident that the formula which drives

his company to such success against Goliaths in the big hard end of the enterprise system software market is not only sustainable, but is gathering strength as it goes. He stresses that the company is constantly learning from market feedback and from its mistakes, so the formula, like the proverbial road to success is always under construction: ‘WE MAKE HUGE MISTAKES. WE MAKE PROBABLY ONE HUGE MISTAKE A YEAR. THE NICE THING IS THAT I KNOW WE’LL LEARN FROM THAT MISTAKE’. With the refinement that experience has now given his ‘reproducible model’, he believes that what has taken fifteen years to achieve could now be done in half the time!

## First quantify the market, then make some friends

‘THE VERY FIRST THING YOU DO IS IDENTIFY THE MARKET YOU WANT TO GET INTO, QUANTIFY THAT MARKET, AND LOOK AT WHAT A TOTAL SOLUTION WOULD LOOK LIKE FOR THAT MARKET.’ Technology One’s current vertical markets are financial management and accounting, local government, higher education and universities, retail and supply chain management, human resource management, and wholesale and distribution.

‘YOU THEN IDENTIFY THE PARTNERS YOU WANT TO WORK WITH IN THAT MARKET – WHO WOULD WE PARTNER WITH TO PROVIDE THE TOTAL SOLUTION. THEN, USING TELEMARKETING WE WORK OUT WHO IS GOING TO BE BUYING SOLUTIONS OVER WHAT TIMEFRAME.’ Di Marco stresses the importance of using partners not only to provide missing, usually vertical-market-specific parts of the total solution, but also because they provide deep market knowledge and often relationships that are essential to success. He adds: ‘WE BRING TO THE PARTY THE ORGANISATIONAL STRENGTH AND A WORLD-CLASS FINANCIAL MANAGEMENT ACCOUNTING SYSTEM – EVERYONE NEEDS THAT; WE BRING SKILLS IN MARKETING, SALES AND SUPPORT AND WE TAKE ON THE CLIENT CONTRACT RISK. BUT ONCE WE GET THAT INDUSTRY KNOWLEDGE AND EXPERTISE FROM OUR PARTNERS, WE EITHER ACQUIRE THEM IF THEY PERFORM, OR REPLACE THEM WITH OUR PEOPLE.’ And Di Marco says that this is understood by both parties at the outset of the relationship.

## Own the customer then go deep

In dramatic contrast with most of his global competitors who have chosen to use major consulting firms as their distribution and service channel to customers, Di Marco believes that dealing directly with the customer has advantaged Technology One, especially given its vertical markets and total solutions approach:

‘WE LET THE MARKET DRIVE THE COMPANY. WE DEVELOP THE PRODUCTS, AND THEN WE MARKET THEM OURSELVES, WE SELL THEM, WE IMPLEMENT THEM AND THEN WE SUPPORT THEM. WE ALMOST OWN THE SUPPLY CHAIN. WE’VE NOT IMPOSED THIRD PARTIES ON OUR CUSTOMERS AND UNLESS YOU TURN A BLIND EYE YOU WILL HEAR PROMPTLY AND VERY CLEARLY WHAT THEY LIKE AND DON’T LIKE ABOUT YOUR PRODUCT.’

This direct customer connection Di Marco says delivers huge value to the customer and his company across the board – in customer satisfaction, retention, growth and referral – and in learning and improving things all the time. ‘WE KEEP OUR CUSTOMERS FOREVER – OUR CHURN RATE IS ALMOST ZERO. OUR MAJOR COMPETITORS’ PRODUCT DEVELOPMENT TEAMS ARE TEN TO TWENTY TIMES THE SIZE OF OURS.’

## Great processes supporting great people.

‘ONCE YOU’VE GOT THE INDUSTRY KNOWLEDGE, THE MARKET AND THE FUNDING SORTED OUT, THEN THE REST OF IT JUST BECOMES A MANUFACTURING PROCESS – GETTING THE PEOPLE, THE PROCESSES, THE STRATEGY IN PLACE AND THE ORGANISATIONAL STRUCTURE. YOU INCENTIVISE THE PEOPLE. EVERYTHING HANGS AROUND THE PEOPLE THING. YOU NEED TO BUILD A BUSINESS THAT IS PROCESS-ORIENTED. GREAT PEOPLE NEED THE SUPPORT OF GREAT PROCESSES. WRITING SOFTWARE IS A VERY COMPLEX BUSINESS. MILLIONS OF THINGS HAVE TO COME TOGETHER. SO WE ARE VERY PROCESS ORIENTATED.’

## Technology One's creed

- We are in a dynamic market place and we must continually innovate, work quickly, decisively and with determination to remain competitive.
- We innovate to provide solutions and services that will make our customers successful.
- If competitors are doing things a certain way, let us learn from them, but there is always a better way.
- We do our own thinking. We do not allow others to do it for us. Answers come from our own ingenuity.
- Invent different and better ways of working. We strive and are passionate to find a better way.
- The better way is always the simpler way.
- Look past the traditional way. Look for the logical solution.
- Think outside the square. Radical ideas can create great innovative solutions.
- We are flexible and adaptable. We believe that change is good. We embrace change.
- Anticipate – do not be reactive, be proactive. Just do it!