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Chapter One: Marketing to Everyone

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CHAPTER 1

Marketing to Everyone

"If he sends reinforcements everywhere, he will everywhere be weak."

— Sun Tzu, The Art of War, *chapter VI, "Weak Points and Strong," in the translation of Lionel Giles, 1910*

Every company that sells to other businesses can tell you how many leads it got last year. Almost none can tell you what they were worth.

Ask, and the number comes first — two thousand, five thousand, sometimes ten thousand names — with the explanations close behind. The leads were soft, sales didn't follow up, the big show was slow and the website's being rebuilt. Somewhere under the answer sits a budget of a million dollars or more, and nobody can tell you what it bought.

That's not a failure of effort, and I don't blame the people doing the work — most of the marketing people I meet work hard and know their trade. What the company is missing is a method: a plain idea of what marketing is for, whom it's aimed at and how anyone would know whether it paid.

The leads report

You've sat through some version of this meeting. The marketing manager puts up a chart, and the line climbs from left to right: inquiries by month, booth visitors by show, clicks by campaign. Every bar is taller than last year's, and the meeting ends in nods.

What's a lead? In most companies it's anyone who raised a hand by filling out a form on the website, dropping a card in a bowl at a booth or calling the main number. This book calls that an inquiry, because that's all it is. Somebody asked something.

A few of those people are buyers. Many are students, competitors checking your prices, vendors with something to sell you, and people who want a free sample of a product you don't make for people like them.

Then the inquiries go to sales, and sales does the sensible thing. A territory manager (a salesperson with a region of his own) who has forty accounts buying every month gets a list of 150 people who downloaded a brochure. He calls a few and reaches a student, a rival's purchasing clerk and a homeowner with a question about his garage floor. Then he stops calling. Next quarter, marketing reports that sales didn't follow up, sales reports that marketing sends junk, and both reports are accurate.

Across the companies I've seen that sell to businesses, fewer than one inquiry in ten is a real buyer with a real project. Your sales team worked that out long before anyone measured it. They aren't ignoring marketing. They're ignoring noise.

The bigger problem is who isn't on the chart. The engineer who writes your product into a specification doesn't fill out forms. Neither does the plant that has run your equipment for fifteen years and will order the next one without asking for a brochure. Neither does the person behind a distributor's counter who decides which brand a contractor carries out to the truck.

Those people decide most of your margin, and the leads report has no line for any of them. It counts the hands that go up. In a business sale, the hands that matter rarely do.

When I'm handed a leads report, I ask three questions before I look at the chart. How many of these people could buy from us this year? How many of them did a salesperson actually talk to? How many bought, and what did they leave us once the materials were paid for? If nobody in the room can answer, the report is counting the wrong thing, however good the chart looks.

And you? You sign the marketing budget every year. Suppose a director asked you at the next board meeting what last year's marketing bought (not how many leads it produced, but what it bought). Could you answer in one sentence with a dollar figure in it?

What marketing is for

Before anybody can fix marketing, somebody has to say what it's for. Most companies never have. Ask five people on your leadership team and you'll hear five answers — awareness, the brand, leads, the website,

the shows — and every one of them names an activity rather than a result.

Here's mine. In a company that sells to other businesses, marketing's job is to bring in margin from the customers who make you money — the ones you have and the ones that look like them. Margin, here, is what's left of a sale once the materials in it are paid for. Marketing does that work in three places, and the leads report sees none of them.

The first is before the order. In most business markets somebody decides who may bid long before a buyer calls anyone. It might be an engineer writing a specification (the document that says which products may be used on a job), an owner keeping a list of approved products or a distributor deciding what goes on the shelf. Get in early and you're quoting jobs written with you in mind. Miss it and you're quoting on a job somebody else already shaped.

The second is the customers who already own your product. The next order from a plant that has run your product for ten years is the cheapest sale you'll ever make. It's also the easiest one to lose without noticing, because nobody's watching for it.

The third is the conversation itself. When your salesperson walks in, the buyer should already have heard of you from someone they trust, seen proof that fits their problem and know what you'll ask them to do next. Marketing serves selling and doesn't grade it. Here its job is to make that first meeting shorter and warmer.

Notice what's missing. Marketing in a company like yours isn't there to be liked, make noise, win awards, fill a booth or grow a following. Some of those can serve the job, but when they're treated as the job, they produce the leads report.

When I look at a company's marketing for the first time, I look at where the money goes. Most of your marketing needs to be technical marketing, where you're designing and developing the products the market has a need for, rather than building a brand image. Brand advertising aimed at everyone is very hard to get a return on, and Chapter 9 says where that money should go instead.

Why everyone is the wrong target

Who decided to market to everyone? Usually nobody did. It happens one reasonable decision at a time.

A product manager wants a show for her line. A distributor asks for co-op money (funds a supplier gives a distributor to advertise its

products) and gets it, because he got it last year. Somebody buys search ads on every word that might bring a visitor, because visitors are cheap. A new market looks promising, so it gets a booth and a brochure of its own.

Each decision makes sense by itself. Add them up and the company's talking to six kinds of buyer at once, and to each of them in a whisper.

Sun Tzu understood this long before anyone rented a booth. A budget spread across every market is an army spread across every hill, weak everywhere, and a competitor only has to be strong in one place to beat you there. Every market you stop marketing to has a champion somewhere in the building, so choosing feels like losing. But a company that won't choose is still choosing — to be thin everywhere.

The most expensive audience is the buyer you aren't built for. They raise their hands most readily, because your broad message caught them. They ask the most questions, because nothing you sell was designed for them. They tie up your technical people, buy little and seldom come back, and on the leads report each of them counts the same as a plant manager with a $2 million project. The inquiries you least want are the cheapest ones to get.

What it costs

A leads report measures activity, and your profit and loss statement measures margin. The trouble starts when you take one for the other. Most companies do.

Do the arithmetic with round numbers. Say you spend $1 million on marketing in a year and collect 2,000 inquiries. Divide one by the other and each inquiry cost $500 — less than a single sales visit — and that's the figure marketing likes to report.

Now follow the inquiries down. Say a hundred were worth a salesperson's time, so each of those cost $10,000. Say five became customers of the kind that make you money. Charge every dollar to those five and each one cost $200,000. That's the number nobody puts on a slide.

You can argue with that last division, and you should. Not every dollar was aimed at new customers. Fine — charge half, and each new customer still cost $100,000.

Make any fair adjustment you like. It still comes out cheap per inquiry and ruinous per customer. Most companies never do that division, so they never see what a customer of the right kind actually cost them.

The other half of the picture makes the first half worse. In nearly every company that sells to businesses, about a fifth of the customers buy about four-fifths of what the company sells, and a small part of the product line carries most of the margin. The core of it — your biggest customers buying the products you sell the most of — is where the margin lives. The 80/20 program calls that core the Fort.

And in my experience, most of what a company like yours sells in a year goes to people who've bought it before: the reorder, the replacement, the next unit for a line that already runs yours. Chapter 3 finds the Fort, and the buyers who come back, on your own invoices. Put them together and the leads report isn't just counting the wrong thing. It's aimed at the smallest part of the money.

So ask where the marketing money went. In most companies I've seen, little of it was aimed at the Fort, at the people who decide who may bid, or at the installed base (your product already in service at customers' sites, waiting to be serviced, repaired or replaced). The money went to the crowd. The customers who make the company its money were found and kept by salespeople, by engineers and by word of mouth, and marketing barely touched them.

The 80/20 answer

The cure for marketing to everyone isn't to market less. It's to aim.

The 80/20 way of doing marketing comes in three stages, and they fit on one line: aim small, say one thing, spend where it pays.

Aim small means you start from the customers who already make you money. You find how much more of their spending could be yours and where your product already runs at their sites, and you name the few people who decide who may bid. Say one thing means you promise those buyers less risk, in their own money, and get written into the specifications they work from. Spend where it pays means you count every dollar it takes to win and keep a customer, test your favorite channels before you trust them and get paid for the work in price and margin. Nine steps take you through the three stages in order, and Chapter 2 lays them out.

None of it is my invention. Good operators have always put their best resources on their best customers. What's rare is doing it in marketing — with a method, on purpose, and with numbers that show whether it worked.

Why it is the CEO's job

Marketing is a resource decision. It decides which customers the company pursues, which markets get money, which products get talked about and which are left alone, and how much of the sales team's week goes to chasing what it brings in. Every one of those is a decision about where the company's money and people go, and that makes marketing yours. Keep it that way.

Owning it doesn't mean you write the ads. You set the aim, name the one person who owns the plan, agree on the number the plan answers to and sit in the chair when the results come back. Without those four things, a marketing department has a budget and no orders, so it does what any department would do and stays busy.

When the leads report disappoints, the usual cure is a bigger agency, a new website or a fresh campaign. Each of those is more firepower, pointed the same way. An agency can make the noise louder, but it can't tell you whom your company is for, because it doesn't know where your margin comes from (and in most companies, neither does the marketing department). You're the one person who can put the invoices, the margins, the sales team and the budget on the same table. Nobody else sees all four.

If the CEO doesn't set the aim, the loudest voice in the building will, and the loudest voice is rarely the one holding the numbers. Somebody has to be able to say no — to the show that's always been booked, the sponsorship an old friend of the company asked for, the market that looks exciting this year. Only the CEO can say no to all three.

Keelson

Keelson Coatings makes protective coatings and linings in Erie, Pennsylvania. Frank Varga, a marine painter in the Erie shipyards, founded it in 1971 around a lining that cured in cold, damp ship tanks. By 2024 it had one plant on the lakefront, 214 people and five product families. Four sold to industry: tank and vessel linings, steel protection for bridges and structures, floor and wall systems for food and beverage plants, and primers and specialties. The fifth was a small garage-floor kit, sold to homeowners online and through a few hardware distributors.

Revenue was $62.0 million, and EBITDA (the profit figure lenders and buyers watch, taken before interest, taxes, depreciation and amortization) was $5.6 million. Frank's daughter, Helen Varga, had been CEO since 2021, after twelve years running operations.

Keelson sold to specialty coating contractors, to fabricators who lined tanks and vessels in their own shops, to utilities and food plants with crews of their own, and through thirty-eight distributors who served small contractors. Gil Ferraro, VP Sales, had been there twenty-four years and ran eleven territory managers, four inside salespeople and a distributor manager. Sam Nowak, the marketing manager, had come from an agency three years before and had one coordinator, and Pete Lindgren had been controller for nine years.

In 2024 Keelson spent $1.40 million on marketing, which was 2.3 percent of revenue and a quarter of its EBITDA. Nine trade shows took $520,000. Distributor co-op took $210,000, trade magazine ads $180,000, the website and an agency retainer $150,000, search ads $110,000, sponsorships and promotional items $95,000, literature and samples $85,000, and marketing software $50,000.

At the board meeting on Thursday 9 January 2025, a director asked the question nobody inside the company had raised.

"What did the $1.4 million buy?"

Sam answered the way Keelson had always asked marketing to answer, with a chart of 2024's leads — 1,900 of them, by month and by source. Gil, at the far end of the table, had heard the number before.

"My people can't call nineteen hundred names," he said. "Most of them own a garage, not a tank."

Helen closed the discussion by promising the board a marketing plan she could defend. She didn't have one, and she knew whose job it was to get one.

Over the next few weeks she had Pete and Sam do the division nobody had done: spread across 1,900 inquiries, $1.40 million came to $737 apiece. Keelson's old test for a qualified lead was loose (anyone with a company name and a phone number who asked about an industrial product), and by that test 114 inquiries, just 6 percent, had qualified, at $12,281 each.

Gil's homeowners were real, if not quite a majority. Pete counted 710 of them, all asking about the garage kit: 710 of the 1,160 inquiries that came through the website, and 37 percent of all 1,900. The kit was 1.9 percent of revenue, yet it drew about 40 percent of the calls to technical support, and $70,000 of the $110,000 in search ads had bought garage-floor words. Keelson had been paying to attract the buyer it was least built to serve.

Then Helen asked about the customers. The 1,900 were people who had asked something, and the 1,180 customers who had actually bought

from Keelson in 2024 weren't on Sam's chart at all. Of the customers who were new that year, sixty-one were small accounts, and just four bought the way Keelson's best customers bought — Fort customers, in the 80/20 program's word. Charge every marketing dollar to those four and each had cost $350,000.

Helen read the number out at her leadership meeting, and nobody disputed the division. Sam pointed out, fairly, that some of the money had gone to keeping customers rather than winning them. Helen agreed, and asked him which customers it had kept. Nobody at the table could name one. No line of the budget had ever been tied to a customer.

Months later, once Keelson had written down what a qualified conversation was, Sam went back and counted 2024 again. A qualified conversation, at Keelson, meant someone who fit the profile of its best customers, with a named project, inspection or budget inside eighteen months and a part in the decision, talking with the company. Forty-one of the 1,900 inquiries qualified, at $34,146 each. Sam also marked every line of the 2024 budget by whom it had been aimed at, and Figure 01-01 shows the year as Keelson came to see it, including how little of the money had gone to buyers who looked like its best customers.

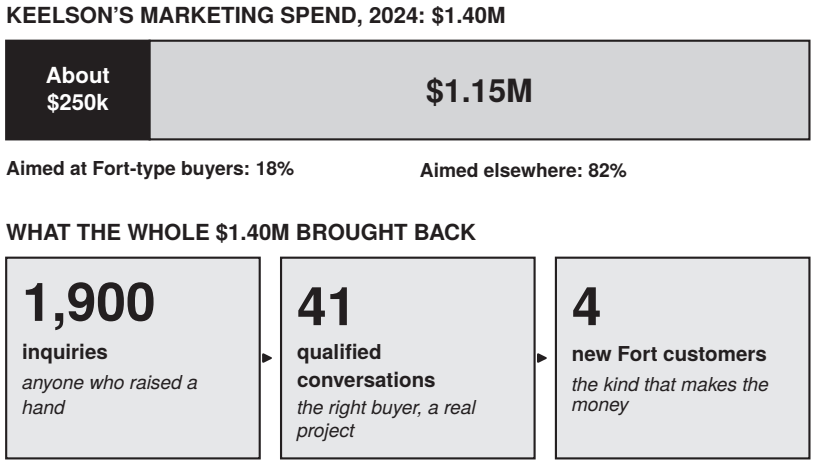


Fig. 01-01: Keelson's marketing in 2024. Of $1.40 million spent, about $250,000 was aimed at buyers who looked like its best customers, and 1,900 inquiries produced forty-one qualified conversations and four new Fort customers.

What Helen couldn't yet say was how Keelson's best customers had found it in the first place. The company had been winning them for more than fifty years, and nobody in the building could tell her how.

Do This

1. Pull last year's marketing spend line by line from the general ledger, not from the marketing plan.
2. Mark each line by whom it was aimed at: your best customers and the companies like them, or everyone else.
3. List the twenty customers who brought in the most margin last year, and how marketing reached each one.
4. Count last year's new customers who buy like your best ones, and divide the spend by that count.
5. Ask your head of sales which inquiries the reps ignore, and why.
6. Write down, in one sentence, what marketing is for, in margin.

Helen had a cost she couldn't defend and a promise to keep. She didn't need a campaign. She needed one owner, one number counted in margin and nine steps taken in order, and that's where Chapter 2 begins.