

# 24 Marketing Lessons from 24 Business Leaders



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## Contents

|  |     |
|--|-----|
| Henry Heinz: Successful Entrepreneurs Thrive on Failure .....                | 3   |
| Henry Ford: Tell Your Customers What They Want .....                         | 7   |
| Will Kellogg: Do What You Do Best.....                                       | 13  |
| Robert Kiyosaki, Success, and Marketing.....                                 | 18  |
| The 2 Essential Keys to Network Marketing as Taught by Todd Falcone .....    | 22  |
| President Barack Obama and Smart, Analytical Marketing .....                 | 27  |
| Marketing Wisdom from McDonald’s Founder Ray Kroc.....                       | 30  |
| Marketing Lessons Learned From Cornelius Vanderbilt.....                     | 36  |
| Marketing Lessons Learned From Andrew Jackson Beard.....                     | 40  |
| Marketing Lessons from Sam Walton, Founder of Walmart .....                  | 44  |
| Marketing and Business Lessons from John Rockefeller .....                   | 51  |
| Jack Welch: A Laser-Like Focus on Profitability .....                        | 57  |
| J. P. Morgan: Making Money as First Among Partners (But Not Equals).....     | 63  |
| Warren Buffet: Write! .....  | 69  |
| Harland David Sanders: Persistence Pays.....                                 | 74  |
| Bill Gates: Bite Off More Than You Can Chew .....                            | 79  |
| Walt Disney: Marketing Isn’t Mickey Mouse.....                               | 86  |
| Andy Grove: Only the Paranoid Survive .....                                  | 92  |
| William R. Hewlett: Success Made Possible by an Exceptional Partnership..... | 97  |
| Andrew Carnegie’s 5 Personal Traits Every Marketer Should Have .....         | 102 |
| Alfred Sloan: Growing a Business by Growing Customer Choice .....            | 108 |
| 3 Marketing lessons from Elon Musk .....                                     | 114 |
| How Dave Ramsey Markets His Financial Message.....                           | 119 |
| Richard Branson’s Unique Approach to Marketing .....                         | 122 |
| About Experimarketing .....  | 125 |

## **Lesson One**

### **Henry Heinz: Successful Entrepreneurs Thrive on Failure**

Almost everyone has heard of Heinz ketchup. If Henry Heinz had had his way, however, we would all be talking about his first business venture, Heinz horseradish sauce.

Henry Heinz rebounded from early failure to create an international juggernaut, teaching modern marketers:

Successful entrepreneurs thrive on failure.

#### **Early life**

Henry John Heinz was born in Pittsburgh, Pennsylvania in 1844 to German immigrant parents. In 1850, the family moved to the nearby community of Sharpsburg, where they had room to grow vegetables. Henry was given the task of selling the vegetables to grocers in the city.

The problem with growing vegetables was that there were few opportunities to earn money during the winter. Henry branched out into selling horseradish sauce, the only maker of horseradish

sauce to bottle it in clear glass so customers could see the product before they bought it.

In 1869, Heinz found a partner to start a business selling horseradish sauce, vinegar, and pickles, and for a few years, the tiny venture was prosperous.

A banking panic in 1875, however, made it impossible for customers to honor their invoices, and Henry went out of business, filing bankruptcy. He had gained a reputation for making quality products, but his bankruptcy made it impossible for him to start a new business in the city.

### **The F & J Heinz Company is formed**

Heinz was not to be discouraged, however, and in 1876 he was hired as manager of a new company started by two of his cousins, the F & J Heinz Company. Heinz added a new product, ketchup. By 1888, Henry Heinz had resolved his bankruptcy, and was free to run his own company again. Heinz took control of his cousins' business and founded the H. J. Heinz Company.

Heinz was sure his big break would come from running a pickle stand at the 1893 Chicago World's Fair. When the expected customers failed to show, he began offering a free pickle charm.

Beams had to be added under the floors to support the weight of the throngs of customers.

In 1896, Heinz coined the phrase “57 varieties,” not because he actually offered 57 varieties, but his lucky number was 5 and his wife’s lucky number was 7.

### **Commitment to quality**

In 1906 the Pure Food and Drug Act was introduced, which required food products to be clearly and accurately labeled. The act met with stiff resistance by most food manufacturers, but Heinz was an enthusiastic supporter. Heinz took pride in providing quality products. His support for the new government regulation of food safety earned tremendous, favorable publicity for his company.

His famed considerate treatment of his workers earned him even more respect. By the time of his death in 1919, the H. J. Heinz Company employed 6,500 workers in 25 factories around the world.

### **The H. J. Heinz Company today**

Continuing his principles, the H. J. Heinz Company today sells products in 200 countries, holds #1 or #2 market share for 150 of its products, and employs over 32,000 people worldwide.

The company makes over 50% of the world's ketchup, and has over 50% of North America's market for frozen potatoes with its Ore-Ida brand. The H. J. Heinz Company was bought by Warren Buffet's Berkshire Hathaway and 3G Capital in 2013.

### **Successful business people don't give up**

Henry Heinz illustrates a key characteristic of successful entrepreneurs: Successful business people don't give up. A study by 576 entrepreneurs by the Journal of Business Venturing found that business founders who succeed tend to have the same attitude about their prospects before and after a business failure, while one-time entrepreneurs tend to become depressed.

Reasonable optimism leads to self-confidence, and self-confidence attracts new customers and new investors. The ability to embrace failure as a temporary part of the process is essential to success. This doesn't mean you shouldn't try to avoid failure, but you can define yourself by the quality of your products, not your temporary circumstances.

## **Lesson Two**

### **Henry Ford: Tell Your Customers What They Want**

“If I had simply asked people what they wanted,” auto industry giant Henry Ford once said, “they would have told me faster horses.” Henry Ford teaches modern marketers:

Offer your customers solutions to problems they don't know they have.

#### **A world without cars**

Henry Ford was born in Deerfield Township, Michigan, in 1863, twenty-three years before the introduction of the first modern car, the Benz-Patent-Motorwagen by Karl Benz (later of Mercedes-Benz) in Germany.

In Ford's youth, the only modes of personal transportation were on foot, on horseback, in carts and wagons drawn by animals, and in canoes, rafts, and boats. Roadways were in a primitive state, and only the railroad and steamship lines offered effortless travel to distant locations.

### **Early engineering career**

Ford grew up on a farm, but despised farm work. His favorite task on the family farm was maintaining an early steam engine. Ford trained as a machinist, and eventually became the Chief Engineer of the Edison Illuminating Company (an early power company, founded by Thomas Edison himself).

Once Ford had the spare time and money to experiment with gasoline motors, he perfected a self-propelled vehicle he called the Ford Quadricycle. Edison encouraged him to quit his job to pursue his dream of making what came to be called cars, and in 1899 Ford and several partners founded the Detroit Automobile Company.

Ford's partners pushed him to cut corners, and the automobiles made in Ford's first automobile manufacturing venture were of higher price and lower quality than he wanted. The company went out of business in 1901.

### **The Ford Motor Company is born**

Undeterred, Ford continued to build his own cars, and in October of that same year, he displayed and raced a 26-horsepower automobile from his own workshop. Former investors were sufficiently impressed that only a month later they provided the



funds to set up the Ford Motor Company, with Ford as the chief engineer.

Ford's backers, unfortunately, were impatient for profits. In 1902, they brought in an appraiser to set a value on the Ford Motor Company with the intent of liquidating it. Ford saw the writing on the wall and left the company that bore his name. His investors sold the company, which was renamed Cadillac.

Ford produced an 80-horsepower car that was raced as the "999" in October of 1902. The success of this car led to an opportunity to set up a third auto company—which also quickly folded.

However, during the winter of 1902-1903 Ford demonstrated a new car that was able to traverse 1 mile over the ice of a frozen Lake St. Clair in just 39.3 seconds, setting a new land speed record of 93.4 miles per hour. With this success, Ford was able to raise \$28,000 in capital for the fourth, and final, Ford Motor Company.

### **Model-T insights**

Ford had a genius for automotive engineering, but also possessed tremendous insights into marketing. Though it may seem obvious today, Ford realized that the way to sell more of a big-ticket item such as the car was to make it affordable to the masses.

Ford's Model-T came out in 1908 with a sticker price of just \$825, and the price of the car went down every year afterward. In just 12 years, over half the adult population of the United States learned to drive the Model-T. None of them had ever driven an automobile before.

### **How did Ford build his brand?**

- Ford realized that people need to earn money to spend it on big-ticket items. Ford paid his factory workers \$5 a day (roughly equivalent to \$120 a day in 2015), twice what other manufacturing plants paid at the time. He also was among the first industrialists to welcome African-Americans, people with handicaps, women, and despite his controversial statements in the press, Jews to the work floor.
- Ford constantly lowered prices. The Model-T rolled out in 1908 with a suggested retail price of \$825 (equivalent to \$21,000 in 2015). By 1915, the cost of the Model-T had fallen to \$360 (about \$8,000 at current prices). As a result, sales increased by 100% a year more than once between 1908 and 1927, when the car was discontinued.
- Ford didn't necessarily bend to consumer choice. "Any customer can have a car painted any color that he wants so

long as it is black,” Ford famously said. Before the introduction of the assembly line, cars were offered in other colors, but when Ford discovered that quick-drying black paint could make the production of the car faster and cheaper, other color options were dropped.

- Ford kept his cars in the news. In addition to making sure Fords were entered in car races, the company maintained a massive publicity machine to make sure every newspaper mentioned the brand every day.

### **Lessons for modern marketers**

How much of Ford’s marketing principles translate into marketing success in the twenty-first century? In modern terms, Ford started the marketing conversation with “Wow!” Ford truly understood the context of marketing.

Perhaps Ford’s most important insight was that it is not necessary to be all things to every customer. Just as Henry Ford was happy to offer his cars in just one color if that enabled vastly greater sales at lower prices, there is nothing wrong with focusing on narrow market segments that appreciate your products or offering your services at your extraordinarily affordable prices.

To get away with limited product choices, it helps to create a constant media buzz, something much easier to do in the twenty-first century than it was 100 years ago.

## Lesson Three

### Will Kellogg: Do What You Do Best

Will Keith Kellogg, co-founder of Kellogg's, was once known as the Cornflake King. Before Kellogg's introduced flake cereals to the North American market, the only way to get grains at breakfast was for the family cook to get up to make gruel, typically at 2 or 3 o'clock in the morning so the porridge would be ready for breakfast at sunup.

Flaked, dry cereals were an incredibly popular innovation that made the Kelloggs and even their competitors rich. Will Kellogg's contribution to his company's success could be summed up in a single sentence:

Do what you do best.

#### Early life

Will Keith Kellogg was born in April of 1860 in Battle Creek, Michigan. Kellogg's father was a staunch Seventh Day Adventist who believed that the second coming of Christ was imminent and therefore education was unimportant.

The younger Kellogg dropped out of elementary school and became his father's youngest traveling salesman at the age of

14. By the age of 19, Will Kellogg was managing a broom factory nearly 1,000 miles away in Dallas, Texas.

Kellogg had an older brother, John Harvey Kellogg, who had taken a very different path. John Harvey Kellogg achieved worldwide fame as a doctor, author, and inventor managing the Battle Creek Sanitarium back in Michigan. It was this Kellogg brother whose life was chronicled in the 1990's film *The Road to Wellville*.

The older Kellogg brother was obsessed with bowel movement. All health problems, John Harvey Kellogg believed, could be traced to constipation or autoerotic stimulation. To rejuvenate health, he prescribed fiber-rich cereals and yogurt enemas, daily, and complete avoidance of masturbation.

The older Kellogg brother made a number of grandiose statements about his understanding of the nature of God, in part through his studies of the human bowel, and was directed to close his sanitarium or leave the Seventh Day Adventist church in 1902. Dr. Kellogg chose to leave the church.

### **Invention of cornflakes**

In the 1880, Will Kellogg had returned to Battle Creek and taken a job at the sanitarium. He set about the task of making high-

fiber meat substitutes for the patients. He managed to duplicate a product known as shredded wheat, but patients complained that it tasted like little bales of hay. Will then tried making flaked wheat cereal, but the product came out mushy. Will left the sanitarium for a few days to ponder what to do next.

When Will returned to the kitchen, the batter had molded. In disgust, he turned the crank to clean out the machine and out came perfect flakes. Will discovered that the process also worked for rice, oats, and corn.

### **Sibling rivalries**

Cornflakes were an immediate success at the sanitarium, and John Kellogg took all the credit. He told his admiring patients that the idea for the process had come to him in a dream. Will, the younger brother, recognized the commercial value of the process and wanted to keep it secret, but John, the flamboyant world-renowned physician, would show it to anyone who wanted to watch.

One of the patients of the sanitarium was a Texas investor named C. W. Post, who copied the Kellogg brother's invention and used it to start the Post Cereal Company.

When Post earned \$1 million from his “Postum” and “Grape Nuts,” Will begged John to let him commercialize the process, but John refused.

Will then found a partner and started the Battle Creek Toasted Corn Flake Company, making one critical adjustment in the recipe: to make the cereal taste better, he added sugar. John strenuously objected, but Will didn’t care. The younger Kellogg brother had earned his first million dollars by 1910, and Kellogg cereals were born.

Will and John spent years in court battling over the question of which brother had the right to use the Kellogg name. The dispute finally reaching the Michigan Supreme Court, when Will won the right to use his family name on his sugar-sweetened cereals, and the older Kellogg moved to Florida, where he sank into dementia and died in obscurity.

John wrote a letter apologizing to Will shortly before his death, but Will’s assistants kept the letter hidden from him for 10 years.

### **Will Kellogg’s legacy**

In the 1920’s, Kellogg’s became one of the largest companies in the United States. In the 1930’s, the company expanded its influence by instituting four day a week, six hours a day work



schedule to make more jobs available to more families. Will left 60% of his estate to the Kellogg Foundation, which retains one of the largest endowments of all charitable institutions in North America.

What is the lesson of the Kellogg brothers for modern marketers? Will Kellogg's refusal to compromise left him free to pursue what he did best. Though the brothers' failure to reconcile in person was tragic, their differences became their individual strengths.

## Lesson Four

### Robert Kiyosaki, Success, and Marketing

If you keep up with financial news and advice, you have probably come across Robert Kiyosaki's name at some point. He is the author of **Rich Dad, Poor Dad** and many other financial books in which he stresses financial education.

Most high profile financial experts have a brand of some kind that they have established and believe in. Robert Kiyosaki's brand is teaching people to become financially literate in the sense of understanding how money works.

Most people don't understand how money works, or how to make money work for them.

Robert Kiyosaki wants people to understand how to invest in assets.

His "rich dad", who was his best friend's father, taught Robert the philosophies of investing in assets as much as possible. Most people invest all their money in liabilities, which means their income is constantly going out each week and each month.

## **Leveraging business success into marketing opportunities**

Robert had a limited marketing budget in the beginning. He had to use his business success to attract media appearances and build his brand with the public.

Robert and his wife, Kim, had struggled early on with their business. Once they finally got it going they were making good money without even having an office.

As this began to happen, word began to get out and media appearances began to happen. Robert was finally using the philosophies he had learned early on and could begin to teach them.

He used media appearances to market his philosophies, and began to build his brand on the platform of financial education to build wealth.

He wrote his first book about his financial ideas during this period. He had to self-publish the book and try to find buyers on his own. He kept searching for ways to get the book into the hands of the public.

## **A single event can create the breakthrough you need**

Robert finally came up with “Rich Dad, Poor Dad” for the title, which itself was a major marketing step in a positive direction. He also got a call to appear on “Oprah”.

Appearing on “Oprah” was a huge step to gain exposure for this book and his brand. He was able to explain his thinking and what his ideas were about, and pitch the book to a massive audience.

Once he got this exposure, people hit the bookstores and asked for his book. The bookstores started ordering copies and the book was a massive hit.

The philosophies of financial literacy and owning a business that will run whether you are there or not resonated with the general public. Robert doesn't give you a map in the book, but he does give people a philosophy about money that is new to most people.

## **The power of YouTube**

Robert Kiyosaki also has a presence on YouTube. You can subscribe to his channel to see all of his videos with his thoughts on money and building wealth.

YouTube is highly popular because so many people have free access to information through YouTube. YouTube videos are part of what is known as attraction marketing and Robert uses this platform well also.

Robert Kiyosaki understands that we live in an information age, where people are looking for answers to problems. When you lead with free information, you pull people into the other products you have available.

## **Lesson Five**

### **The 2 Essential Keys to Network Marketing as Taught by Todd Falcone**

When it comes to marketing educators, Todd Falcone is hard to miss. Over more than twenty five years in the marketing field, he has taught thousands of people.

His popularity comes from the mix of his no-nonsense style with a humorous approach. Every program he creates is eagerly anticipated by a loyal horde of fans, and his influence is still growing. Falcone clearly has some marketing lessons to teach.

#### **What is network marketing?**

Todd Falcone has a clear specialty; his name is almost synonymous with network marketing. Network marketing, also called multi-level marketing, is a marketing method that encourages sales agents to actively build networks to market to.

You may recognize this method in the form of its most famous exponent: Tupperware. Network marketing began with in-house presentations, hotel meetings, and face-to-face meetings. Over time, it has extended its toolkit to include more modern

technologies. When you want to know how to use the network marketing toolkit, Todd Falcone can help you like no other.

But the true marketing lessons Falcone teaches are broader. The truths that sell plastic containers to housewives extend beyond face-to-face marketing. Network marketing shows the essence of marketing in two important lessons that can be applied in any way, shape, or form. You won't need to visit your entire audience to practice what Falcone preaches. When you listen to Falcone, he will teach you marketing beyond his own field.

### **1. Making a personal connection**

The important thing in network marketing is making a personal connection. The reason you're meeting with people is to make that connection. The key to selling is to find out exactly what turns your audience into customers.

When you're meeting with your audience and look into their eyes, you're making that job a lot easier. And when you're selling a revolutionary product, you'll need to demonstrate its virtue to inform your customers.

But you don't need to meet every potential customer to make that connection. The key is to understand that the better you understand the problem you're solving, the easier it gets to

promote your solution. Show your audience that you truly understand them and that you are just like them.

Think about the most memorable Superbowl commercials; it's the perfect example of a brand showing they know what moves you. When that understanding is established, marketing is made so much easier.

## **2. Spreading your passion**

Another key part of network marketing is passion. Not simply the passion you may have for a product, but being passionate about solving people's problems, and about the impact you can have in someone's life.

In most network marketing companies, you can leverage your impact by recruiting a sales force of your own. As you get more established and grow your influence, you can leverage your network to get more income through sales.

The key to growing your network is being passionate about your work. As the effectiveness of your sales recruits is essential for your own success, you need to rub off your passion on your team. The better you can stir their passion, the better your network marketing will work.



Being really passionate about your work is not a marketing technique in itself. Spreading your passion certainly is.

For example, think about McDonald's, a company that relies on other things than passion. Nobody truly likes working at McDonald's or gets excited about their hamburgers, and you'll have to press your friends for a recommendation from their menu.

But other hamburger places get recommendations all the time. Most likely, those restaurants were started because the owner was passionate about hamburgers. He then made sure his passion rubbed off on his products, and probably even his team.

And it's not just small and unique businesses that can use their passion as a marketing lesson. Think about Harley Davidson, the most tattooed brand in the world. Or take Starbucks, Apple, Whole Foods, and many other businesses that ignite a passion in their customers.

All those brands sell something that could easily be replaced by a competitor's product, but at the core of their success is a passion for their products that has passed on to their customers. It is their passion that has become their greatest marketing tool.

And if Todd Falcone can teach you anything, it is that spreading your passion and making a personal connection will get your marketing very far.

## **Lesson Six**

### **President Barack Obama and Smart, Analytical Marketing**

President Barack Obama and his campaign team were highly successful using the technology and social media available today to connect with voters on a more personal level. The details of people and their responses were put together in an impressive manner and analyzed.

Nothing was taken for granted. Different marketing methods were tried, tested, and tracked.

In doing so, he broke away from the practices of most presidential campaigns. He marketed himself with this strategy and the break from tradition paid off. He came across to people as being more approachable.

Being approachable is how he made himself unique. Being unique in his campaign drew more people to him. These ideas became his marketing strategy.

## **Using Reddit to show Obama's authenticity**

President Obama was willing to communicate with people and answer questions asked by users on Reddit. He did this routinely during the 2012 campaign, answering questions on policy issues as well as more personal questions.

He also communicated with potential voters using other social media channels such as Google+, Twitter, and Facebook, as well as email marketing.

Though Reddit was just a small part of Obama's social media campaign, it was a smart, unique move for a presidential campaign. No other presidential candidate had considered communicating personally with the public through Reddit.

Since marketing is about getting a message in front of the right people and connecting with them as much as possible, using the Reddit forum was stroke of genius in Obama's campaign.

## **Connecting with voters through Twitter, YouTube, sports, and music**

President Obama and his team understand that people need to see the human side of a president to be more comfortable with

him. Doing so is part of how President Obama marketed himself and his message to people.

Most politicians are very guarded in public and are normally seen as socially stiff and awkward. Most people see a gulf between themselves and politicians.

President Obama and his team understood this about people.

President Obama allowed his human side to be seen with his tweets on Twitter, his various Youtube videos, and his love of sports and music. Again, he came across as being approachable and human; as someone genuine who people could trust.

## **Lesson Seven**

### **Marketing Wisdom from McDonald's Founder Ray Kroc**

Ray Kroc is the person most people have never heard of who built the brand everyone has heard of, McDonald's. The takeaway from the biography of Ray Kroc for modern marketers in his own words is:

"The two most important requirements for major success are, first, being in the right place at the right time, and, second, doing something about it."

#### **Who was Ray Kroc?**

Raymond Albert Kroc was born to immigrants from Austria-Hungary in Oak Park, Illinois in 1902. In 1917, Kroc, like Walt Disney, lied about his age to serve in the US Army in World War I. Kroc later worked as ambulance driver in the same regiment as Disney.

For the next 35 years, Kroc enjoyed modest success as a paper cup salesman, a jazz musician, a radio DJ, and a pianist. At one point, Kroc worked at a restaurant for room and board to learn

the business. This experience enabled him to land a job as a salesman for a multi-mixer milkshake machine company, traveling across the United States to promote the product.

Eventually, Kroc's mixers faced fierce competition from lower-cost mixing machines. Ray took note of the McDonald Brothers, whose hamburger restaurants were doing well enough that they had purchased eight of his mixers.

### **The McDonalds advantage**

The McDonalds had invented the "Speedee Service System," which allowed them to serve customers in 5 minutes or less. This was compared to 20 minutes or orders to go out for most of their competitors.

Kroc made a pitch to work for the McDonalds just after their franchising agent had quit because of health issues, giving him the opportunity to sell McDonald's franchises in all the places he had sold multi-mixer milkshake machines.

The first McDonald's, however, was opened by Kroc himself, in Des Plaines, Illinois. In an era in which hamburger restaurants might gross \$20 to \$30 a day, the first McDonald's franchise earned hundreds of dollars the very first day. Kroc was then able to sell dozens of McDonald's franchises to other restaurant

owners who also became quickly successful, but the McDonald brothers, who owned the company, were not enthusiastic. Through the 1950's, they told Kroc they had all the money they needed.

In 1961, Kroc was able to persuade the McDonalds to make a deal that gave them \$1 million each after taxes, and Kroc took over the company. Kroc retained the Speedee Service System, giving the 1960's-era McDonald's restaurants a worldwide reputation for fast service.

Kroc also standardized ingredients, recipes, and cooking procedures so that a McDonald's burger in Tokyo would look and taste exactly the same as a McDonald's burger in Tulsa or Tampa or Toronto.

Kroc rejected cost-cutting changes in ingredients, choosing to focus on efficiency to increase profits. As a result, McDonald's gained a worldwide following. One survey found that more people worldwide recognize the McDonald's golden arches trademark than the Christian cross. In 2015, McDonald's franchises 35,000 restaurants in 118 countries, employing 1.5 million people, second only to Walmart.



## **What made McDonald's so successful?**

McDonald's achieved legendary success by making the transition from sales to marketing, offering reliability and standardization in an era when Americans were just beginning to explore their country. Kroc rolled out his franchises at about the same time as the federal government started building the interstate highway system. Families that previously would have seldom, or never, traveled more than 20 miles (30 km) from home could now easily take trips to other parts of the USA.

Moving from state to state to find work became much more common, and Americans enjoyed huge jumps in disposable income. The company's marketing message was just as important as the product itself, and Kroc focused on creating customers for life rather than making single sales.

McDonald's success depended heavily on offering a reliable product everywhere, but the novelty of the red and yellow signage and the extraordinarily fast service were not to be underestimated. Children came to associate the golden arches and the familiar red and yellow signage with happy experiences, and childhood memories of McDonald's continued to drive purchases as baby boomers became adults.

In 2015, McDonald's serves 68 million customers daily, owns assets in excess of \$35 billion, and realizes operating income of

\$8 billion per year on \$28 billion in sales. Providing a reliable, inexpensive product quickly can be a foundation for spectacular success.

### **The marketing wisdom of Ray Kroc**

Though we can learn a lot from observing the business of McDonald's itself, Ray Kroc also gave many interviews and left many memorable quotes that offering insight into his business's success. Here are just a few:

- Kroc knew how to create opportunities for himself. After making a pitch to the McDonald's brothers for nationwide expansion of their restaurants while still selling milkshake makers, the brothers asked who would manage their franchising division. Kroc replied "What about me?"
- Kroc didn't try to inspire the McDonald's brothers to grow their business. He took advantage of the opportunity their disinterest in earning money offered him. As he later told a biographer, "I was obsessed with the idea of making McDonald's the biggest and the best. They were content with what they had. They didn't want to take risks and meet greater demands." Kroc achieved success by caring about his business more than anyone else.

- Hamburgers weren't something most people took seriously, but Kroc realized that someone could be tremendously wealthy by being the one person who did. "I didn't invent the hamburger. I just took it more seriously than anyone else," Kroc once told reporters.
- Kroc was all business. After buying the McDonald's brothers franchise rights, Kroc also wanted to buy their original store, in part to ensure that they could not re-create their methods for a competitor. When the brothers refused to sell, Kroc opened a McDonald's across the street and drove them out of business. "If any of my competitors were drowning," Kroc said, not entirely as metaphor, "I'd stick a hose in their mouth and turn on the water." Kroc gave millions to charity, but he was not sentimental about business transactions.
- Kroc wasn't afraid of flooding the market for his products. "I'm not afraid of saturation. I'm aiming to dominate the market worldwide."

## **Lesson Eight**

### **Marketing Lessons Learned From Cornelius Vanderbilt**

Cornelius Vanderbilt is one of the most recognizable names from the industrial revolution. The building of his railroad empire in the early days of train transport made him the richest man in the world in his lifetime. It was calculated that he owned 1/9 of all US currency in circulation at the time of his death. He didn't just leave the legacy of a railroad empire, but even left a university with his name.

Vanderbilt's success story is inspirational in itself, but you can also find a very valuable marketing lesson in his work.

#### **Building an Empire**

Vanderbilt started out in the transportation industry at the age of sixteen. He started a ferry service with the help of his parents. In a small vessel, he transported people and goods from Staten Island to Manhattan.

Over the years, his influence grew, and he was one of the first to learn how to handle a steamboat. This advantage, combined with

the shrewdness needed in a corrupt and largely unregulated market, led him to start a steamboat transporting company.

Over the years, his company grew. His company brought people from the East Coast to California during the gold rush, drove subsidized companies out of business, ran a network of ferries around New York City, and leased steamboats to the Union navy during the Civil War.

With the rise of railroad networks, Vanderbilt took a stake in several lines and implemented processes to improve efficiency. One of his railroads, the Harlem, was the only steam railroad to enter Manhattan. This line became so successful that it led to the building of Grand Central Terminal.

In all of his endeavors, Vanderbilt showed a cunning entrepreneurial spirit. Many of the competitors he came across over the years ran lines that were subsidized, but Vanderbilt beat them every time. Across all his different lines and companies, a few key characteristics drove those successes. First of all, he was known to be very reliable. Second, he was always looking to improve efficiency; when all other boats sailed around South America to get from the East Coast to California, he established a route through the middle of Nicaragua.

But the most obvious reason for Vanderbilt's success was his prices: Vanderbilt always offered a better service for a fraction of

the price people would expect. In fact, some of his lines would even transport people free of charge.

### **Building an Audience**

Very few businesses make money by selling their core business below cost price. What Vanderbilt did was change the core business of his ferry service. Once people were aboard, they would spend their money on the food and drinks he offered. His low-cost services drew enough people to his service to really profit from selling just food and drinks.

This model still represents a marketing strategy that's gaining popularity in the 21st century. The concept of 'freemium' comes to mind; offering a free version of a program people can use, that requires a purchase to unlock the full experience.

Another form of offering a free service as a marketing strategy is content marketing: offering people valuable information for free to sell your services once you have their attention. It's the classic Vanderbilt marketing lesson: once people are on your boat, they will buy your beverages.

The importance of having an audience has penetrated the marketing world in the last decade or so. As people are more and more empowered to 'tune out' classical marketing techniques

(forwarding commercials on TV, blocking internet ads), it has become more and more important to get a captive audience that values your information.

Marketing trends mirror this importance with the rise of content marketing, but also by sponsoring people with large followings on social media. Lauren Luke's YouTube make-up tutorials were the perfect audience for Sephora. Their partnership has ultimately created a \$100 million brand.

It is easy to look at Vanderbilt and contribute his success to lucky timing. He was the one of the first to learn how to handle a steamboat, and the rise of railroads came just when Vanderbilt was in the transport business and had plenty of money to invest. But when you see the marketing lessons behind his business practices, his ideas prove remarkably relevant in the information age.

## **Lesson Nine**

### **Marketing Lessons Learned From Andrew Jackson Beard**

Andrew Jackson Beard was a famous African American inventor whose ideas revolutionized the railroad industry at the end of the 19th century.

Born a slave in 1849, Beard was emancipated at the age of fifteen and became a farmer. After taking three weeks to get his produce to the market in Montgomery, Alabama, he quit out of frustration to start a flour mill. Even though Beard had quit farming, he invented a plow. He patented the idea and sold it for \$4,000.

#### **A Need to Innovate**

A second plowing improvement led to another patent some years later, and the inventions didn't stop there. Working at a railroad yard, Beard experienced the dangers of coupling railroad cars first hand. At that time, coupling two cars together involved someone positioning themselves in between the cars while they moved closer together. At exactly the right moment, the operator



had to drop a pin in place. This procedure crushed some people to death, and many more lost a limb. After losing a leg himself, Beard came up with the idea for the Automatic Railroad Car Coupler, affectionately named the Jenny coupler.

What we know of Beard shows a drive for solving problems and constant improvement. A prime example is his frustration with traditional farming techniques' lack of speed. Even after he gave up the profession, Beard couldn't keep himself from improving the processes he had seen. But it's not only the need to innovate that stands out in the life story of Andrew Jackson Beard. Even though he never intended to, his work teaches a valuable marketing lesson

### **Find your wooden leg**

One of the main challenges for selling a solution is communicating what the problem is. Many excellent products never reach their potential. When a good product doesn't find the customer that needs it, you've got a marketing problem. The story of Andrew Jackson Beard tells you how to fix that problem: you need a wooden leg.

The moment Andrew Jackson Beard pitched his problem, his wooden leg became an advantage. Nobody doubted there was a

problem that needed fixing, and nobody doubted Beard knew all about that problem. One look at his missing limb gave Beard more credibility than he could have got from hours of sales talk.

Naturally, there are very few problems nowadays where a prosthetic leg gives you a marketing advantage, but the marketing lesson learned is that you need to find your own wooden leg: the main thing that lets your audience know you really understand the problem you're solving. Don't focus on the solution you have to offer, focus on the problem people have. Let them know you understand their pain points.

The introduction of Gmail, Google's email service, was supported with the most important message: two gigabytes of digital storage. Never again would you have to throw your email away. Once people were in, they discovered many other features that clearly distinguished Google from their competitors, but the main selling point was the available storage. Google reminded you how annoying it was to get stuck with a full inbox, and then offered their solution. They probably believed their email service was better on all other levels, but the storage space was their wooden leg.

When you're approaching your customers, try to find your wooden leg. Make the problem real for your audience, so they see the need for your solution. The most convincing marketing

messages are those that best tie three components together: problem, solution, action. It's the sequence of your late night infomercial, the most effective sales emails in your inbox, and the perfect marketing lesson from a former slave solving an age-old problem.

## **Lesson Ten**

### **Marketing Lessons from Sam Walton, Founder of Walmart**

The phenomenal success of Sam Walton, founder of Sam's Club and Walmart, now the largest retailers in the world, proves that customer service sells.

Walmart became America's biggest retailer by offering what was a major improvement in customer service at the time.

Walmart stores are everywhere. Originating in the small town of Bentonville, Arkansas, Sam Walton's stores are now found in most towns in the United States (although they are notably absent in New York City, Detroit, Seattle, San Francisco, and Boston). Over 90% of Americans are within driving distance of a Walmart.

Walmart operates under 71 trade names in 27 countries. It has sales that in 2015 will approach half a trillion dollars a year.

Walmart employs 2 million associates in countries as different as Nigeria and Nicaragua, the United Kingdom and the United States, and China and Chile.

The children of Sam Walton continue to own the majority of the stock in the company through their family trust, and are among the wealthiest people in the world today.

### **Secrets to Walmart's success**

What was it about Walmart that has made it so successful? Sam Walton's megacorporation was not the first chain retailer. During its expansion, Walmart typically bought and remodeled the properties of older chain stores. Walmart was not the first store to offer discount prices. Shoppers have always known where to look for lower prices, usually on goods of lower quality.

The distinctive contribution of Walmart in its time was that it offered not only lower prices but also a higher level of consumer choice. Shopping at Walmart in the 1950's, 1960's, or 1970's was an entirely different experience from shopping at other stores—but in a good way.

### **Walton's background**

Sam Walton was born in 1918 in Kingfisher, Oklahoma, where his parents had moved to set up a farm. When Sam was five, his mother and father decided that the farm did not generate enough

income for their growing family, and his father rejoined his brother's farm mortgage company.

The elder Walton made his living by repossessing farms from farmers who had met hard times, and the family, probably not the most popular people where they lived, moved from small town to small town throughout the Southeastern US for the next 10 years.

When Sam was in the eighth grade, he became the youngest Eagle Scout in the history of the state of Missouri. During his senior year in high school in Columbia, Missouri, he was named "Most Versatile Boy." Entering the University of Missouri in 1936, Walton joined a secret society, QEBH, and then became a member of an ROTC honor society, Scabbard and Blade. Walton became the "permanent president" of a Bible study group of university students, a position of considerable influence with future Missouri leaders.

All of these accomplishments earned Walton a ticket to a job with the J. C. Penney Company, paying \$75 a month until he was drafted to serve in World War II eighteen months later. Having a college degree, Walton was made an officer, and paid the heady salary of \$150 a month.

Returning from a stint in Army Intelligence, Walton took \$5,000 from his savings from his military pay and a \$20,000 loan from

his father-in-law to buy a Ben Franklin variety store in Newport, Arkansas. Before Walton took over the store, it had sales of \$80,000 a year. Walton increased the variety of goods for sale, and increased sales to \$255,000 a year in less than three years.

### **Beating the competition by offering choice**

Why would increasing variety make such a huge difference in sales?

In the 1940's, the country was not yet connected by a good road system. Most people still lived on farms or in small towns. Finding specialty items took time and effort, driving (or hitching a ride or taking a bus) over bumpy roads, changing and patching rayon tires that blew out as the car was driven over gravel and rocks, spending hours to find that special item that might or might not be found at the destination.

There was no Internet. It wasn't even easy to get a copy of a local newspaper if you did not live in the town where it was printed. The "wish books" from Sears and Montgomery Ward only came once a year. A store that carried "everything" was a tremendous draw for shoppers.

Walton's success didn't go unnoticed. His landlord raised his rent so high that he had to sell the store and its inventory and find a

new business. However, having a wide-ranging inventory was not in itself enough to ensure success. After all, nobody has ever heard of the great Newport Ben Franklin store chain. Variety was not enough.

Walton began scouting out a new location where he could own both his store and the building. He found a suitable existing store in Bentonville, Arkansas, 220 miles away, which he re-opened as Walton's Five and Dime. Using the same approach, Walton increased sales from \$72,000 to \$175,000 in three years, and began buying out his competition all over Arkansas.

### **Walton's marketing principles**

The first "Walmart" didn't appear until 1962. By this time, Walton had mastered the marketing principles that would drive his success. Some of Walton's principles seem very obvious now, but they were novel in his time.

- Variety stores relied on clerks to bring customers what they asked for and then to make a sale. Walmart displayed a variety of goods that customers could look at without sales pressure while they found what they wanted.
- Grocery shoppers waited at a counter rather than walking up and down aisles as they put the items they wanted into



their carts. Walton's new approach made it possible for customers to buy on impulse rather than from lists.

- Walton built his stores in small towns rather than large towns, but made sure all of his stores were within a day's drive of his warehouses. It was no longer necessary to take a trip to the big city to buy specialty items.
- And Walton famously drove hard bargains with his suppliers so he could offer the lowest possible retail prices for his customers.

### **Lessons for small businesses**

We all know the rest of the story. Walton became the richest person in the United States in just twenty more years. These were the marketing principles that made Walmart a retail giant, although they are a little dated for the twenty-first century. But what can smaller marketers take from Walton's experience?

- One-stop shopping is still valuable, whether you are providing goods or services. Make sure your customers return to you by being the one provider who can meet all their needs. Where you should differ from Walmart is that you endeavor to provide everything a few clearly identified customers need, not everything every customer needs.

- Variety is the spice of life the saying goes, and variety also keeps customers coming back to you. Always have something just a little unexpected, but valuable, to keep your customers and clients coming back to you.
- Squeezing your clients and customers for the best price is never a good idea. If someone is happy paying your price or your fee, take it, but when price is an issue, offer the lowest price at which you can earn a long-term profit. You don't have to give your products or your services away, but your customers have to get a good deal too.

## **Lesson Eleven**

### **Marketing and Business Lessons from John Rockefeller**

John D. Rockefeller was the single wealthiest individual in the history of the United States and, by some measures, the single wealthiest individual in the history of the world.

At the time of his death in 1937, Rockefeller's fortune accounted for 1.5% of the entire economy of the United States, the equivalent of \$390 billion in 2015 dollars. This would dwarf the fortunes of Bill Gates, Carlos Slim, and Warren Buffet today.

What is the one piece of wisdom we would-be 21<sup>st</sup>-century billionaires can glean from John D. Rockefeller's experience?

Ruthlessness, without breaking the law, can make marketing plans unstoppable.

#### **Early life of an oil tycoon**

Future Standard Oil tycoon John Davison Rockefeller was born in 1839 in the small upstate-New York town of Richford. His mother, Eliza, was a devout Baptist, a homemaker, and the

mother of six children, of whom John was second born. His father, William, was a Baptist preacher, a traveling evangelist, a traveling doctor, a seller of non-existent real estate, a literal snake oil salesman, and a con artist.

Away from the family for months at a time, Rockefeller's father married other women and had other families. At least one of the many moves the family made during John's boyhood was necessitated by the elder Rockefeller being charged with rape.

Eliza did her best to keep the family going in the absence of her philandering husband. She often told her children "Willful waste makes woeful want." At his mother's urging, the young John began working at an early age, raising turkeys, selling sweet potatoes, and even earning interest by lending small sums of money to the neighbors.

In September of 1855, John Rockefeller's father William abandoned the family completely, taking the name William Livingstone, traveling from frontier town to frontier town as a "surgeon." The elder Rockefeller became infamous for selling bottles of crude oil labeled "Nujol" for \$25 (two month's wages at the time) as a cancer cure, leaving each town where he made sales before the fraud could be uncovered.

## **Rockefeller goes into business**

The sixteen-year-old John Rockefeller took a job as a bookkeeper for a produce company, earning 50 cents a day. At the age of 20, Rockefeller and a friend raised \$4,000 to start their own produce company. A few years later, in 1863, the twenty-four-year-old Rockefeller built an oil refinery.

One of the products of Rockefeller's Cleveland, Ohio-based oil refinery was a new petroleum product that came to be known as gasoline. With three partners, who also became titans of industry of nineteenth century America, Rockefeller obtained a near monopoly over the petroleum industry in the United States and later in Mexico. Their wealth grew to fantastic sums by the early 1870's.

## **Rockefeller the philanthropist**

In the early 1900's, already an old man, Rockefeller turned his attention to charity.

Even though Rockefeller was a staunch Northern Baptist, he became a philanthropist on the urging of a Hindu guru named Swami Vivekananda, who had introduced yoga to the Western world. While seeking spiritual fulfillment in giving away billions

Rockefeller also sought to help create institutions that he felt “should” exist.

He turned a small Baptist Bible college into the now-secular University of Chicago. A staunch abolitionist, Rockefeller also gave millions to establish Spelman University in Atlanta, to educate the children of freed slaves.

Rockefeller endowed the Central University of the Philippines as a missionary effort, and also founded Rockefeller University, whose medical school has since produced 23 Nobel laureates in medicine. Rockefeller gave millions to the school of public health at Johns Hopkins, and funded medical research that eradicated yellow fever and hookworm.

Even when he was giving away hundreds of millions of dollars, Rockefeller never forgot his mother’s teaching. To encourage thrift, Rockefeller made a habit of giving nickels and dimes to people everywhere he went, including, the story goes to rubber tire mogul Harvey Firestone.

### **Rockefeller’s ruthless streak**

As generous as Rockefeller was to his church and to educational institutions, he could also be ruthless.

Rockefeller amassed the wealth to build a refinery by selling whiskey to Union troops in the Civil War at extremely high prices. By 1870, Rockefeller controlled enough of the oil industry in Ohio, where oil production was concentrated at that time, that he could cut prices to drive his competitors out of business.

As Rockefeller gained control over more and more of the oil industry he used his power to buy in large quantities to drive suppliers out of business if they refused to sell to him at severe discounts. Standard Oil, when it was finally broken up into 34 smaller companies in 1914, controlled 70% of all oil and gas sales in the US, despite having only 14% of the country's oil and gas wells. Those who would not sell to Rockefeller could not sell to anyone.

Rockefeller amassed so much power and wealth that he and his descendants are the subjects of various conspiracy theories of varying factuality today. But what can his legacy tell us about successful marketing in the twenty-first century?

### **Lessons from Rockefeller's legacy**

- **Size matters**

If you are going to be ruthless with your suppliers and your competitors, you need to be big. Rockefeller was able to take over

an entire industry, but he was only able to do this after he had already accumulated considerable wealth in the produce business and as a whiskey distributor.

- **Be ruthless, but don't turn people off**

Making nice doesn't wipe out a record of unfair business practices. Even though the Rockefellers have donated billions to medical research, to universities, and to entire governments, including the UN, they are not necessarily a beloved American institution.

- **Take care of the pennies and the dollars will take care of themselves**

Small sales accumulate to riches if each sale is kept profitable. Ultimately, sales of a few gallons of gasoline at a time to individual consumers, at less than 10 cents a gallon (the price at Rockefeller's death in 1937), accumulated to billions in revenues.

- **Cut expenses to a minimum**

When you are making your fortune a few pennies or a few dollars at a time, close attention to the tiny expenses of making those sales is critical to profitability and future success. Ruthlessly keeping costs in line makes all the difference to the bottom line in many business ventures.



## **Lesson Twelve**

### **Jack Welch: A Laser-Like Focus on Profitability**

Born in 1935, John Francis “Jack” Welch is a Ph.D. chemical engineer, an author and speaker, and the retired CEO of General Electric.

During Welch’s 20 years of leadership at GE (1981-2001) the company’s stock price grew 4000%. Welch left with the largest golden parachute in history, a severance payment of \$472 million. Welch’s lesson for marketers is:

Rank, then yank. Focus your resources on what is working for you, and drop what is earning you the least money, even if it is profitable.

Welch provided guerilla management to complement guerilla marketing.

#### **Early life**

Jack Welch was born in Peabody, Massachusetts to John, a railroad conductor, and Grace, a homemaker. Working at a

variety of odd jobs in elementary and high school including golf caddy, shoe salesman, newspaper boy, and drill press operator, Welch also managed to play football and baseball and to become the captain of his high school's hockey team.

Welch earned his doctorate in chemical engineering at the University of Illinois in 1960, and took a job as a chemical engineer at the General Electric plant in Pittsboro, Massachusetts the same year at a then-decent salary of \$10,500 per year.

Welch nearly left GE as soon as he started. The company was unable to pay him the salary he felt he deserved, and he was only persuaded to stay with the company by GE executive Reuben Gutoff, who promised to create a small-company atmosphere to make his work more pleasant.

### **Progress at General Electric**

An accident blew the roof off the factory in 1963, and the company considered firing Welch, but instead Welch earned a series of rapid promotions, including vice-presidencies of the company's plastics and metallurgy divisions.

Working from company headquarters, Welch was promoted again to head GE's consumer products and planning posts, and in

1981, became the youngest-ever CEO of the company. Welch had never overcome his distaste for bureaucracy.

### **Welch as CEO**

As soon as Welch took the helm of the company, he began an aggressive campaign of simplifying work procedures and consolidation of divisions. GE's new goal was to be #1 (or maybe a growing #2) in the industries in which it remained, or to move on from the industry.

Welch implemented a "rank and yank" policy with his executives, rewarding the top 20% of executives once a year with raises and stock options, and firing the bottom 10% regardless of their absolute performance. This gave Welch a captive audience in his company that would pay attention to every word of his guidance.

With rank and file employees, Welch became known as "Neutron Jack," referring to the neutron bomb, which kills people while leaving buildings intact. Welch's biography states that he reduced the work GE workforce from 411,000 in 1981 to 299,000 in 1985.

GE sold divisions that were underperforming, but acquired companies that were unusually profitable, including RCA (and its subsidiary, NBC) and Motorola. Welch limited basic research and

began acquiring companies that specialized in finance rather than in manufacturing.

Jack Welch offered little evidence of compassion for ordinary workers. He vehemently rejected the idea of restricting executive pay, and stated that he did not see any problem with CEO salaries vastly exceeding those ordinary workers (his pay for his last year some 1,200,000% greater than average worker pay).

### **Welch's success principles**

Despite his ruthless approach, many of Welch's principles for managerial and marketing success are sound from almost any perspective:

- Candor is critical. Good ideas can't emerge without clear facts.
- Differentiation creates profits. Focus on the most profitable, and dump the least.
- Listening is a key executive skill. Welch was famous for surprise visits to plants and offices. The worker on the floor, in Welch's view, could provide insights, as well as the supervisor or executive.

- In hiring new members for your team, screen for intelligence, energy, passion, capability to enthuse a team, sound decision making, and execution.
- In a crisis, assume the problem is worse than it appears, that there will be no secrets, and that any decision will be criticized.
- Organic growth is not enjoyed by the unprepared. Make sure your products and ideas have adequate funding, high visibility, and energetic talent in their support.
- Seek advice from multiple mentors.
- Let your competence speak for you. Don't expect customers to expend political capital to keep you on board.
- Don't merge (or enter partnerships) with equals. Mergers with equals seldom work except on a purely financial level.
- Leadership is about energy, the energy to motivate others, the energy to make tough decisions, the energy to provide a positive atmosphere, and the energy to get the job done.
- Hold your subordinates responsible for results, but give them the tools and latitude they need to do their jobs. Winners don't just appear at the top; they crawl, climb, and improve their way to the top.
- Let people know where they stand. Welch rewarded 20% of executives, gave direction to 70%, and fired 10%. If you were in the 70%, you knew you could find your way to the 10% by the next year's review.

- Choose candor and integrity over charts, graphs, spreadsheets, and statistical analysis.
- Let fear be a motivator. Constantly prune your lowest performers.
- Don't waste time being an also-ran. Aim to be the best, or on the way to being the best, or do something else.

## Lesson Thirteen

### J. P. Morgan: Making Money as First Among Partners (But Not Equals)

The Great Panic of 1907 was a crisis largely overlooked by the history books, yet it was during this time that J. Pierpont (J. P.) Morgan made a courageous deal that saved the American banking system.

1. P. Morgan has one important lesson for modern marketers:

Work with partners, but work to achieve **your** vision.

Or, putting it in twenty-first century terms, acquire the clout to redirect all social media to you.

### Origins

John Pierpont Morgan was born in 1837 to Julius Spencer (J.S.) and Juliet Pierpont Morgan in Hartford, Connecticut. Educated at Boston's English High School, a school specializing in mathematics training for future businessmen, Morgan was then sent to finish his education in Switzerland, Germany, France, and

England, attaining a degree in art history and fluency in French and German.

At the age of 20, J. P. Morgan began his banking career at Peabody, Morgan, & Company in London, three years after the bank was established by his father and partners.

Just a year later, Morgan returned to New York to manage the American offices of Peabody, Morgan, & Company. When the Civil War broke out, he paid \$300 to the US Treasury to be made exempt from military service (permitted by the law at the time).

### **Early deals and investments**

Morgan made most of his first hundred thousand dollars by buying 5,000 defective guns from an Army arsenal for \$3.50 each and selling them back to the Union Army for \$22.00 each. Morgan failed to refurbish the guns before he sold them back to the Army, and some of the defective rifles blew off the thumbs of the soldiers who fired them. Morgan was put on trial for the sale, but found innocent.

At the end of the Civil War, Peabody retired from his partnership with Morgan's father, and the international banking house was rechristened J. S. Morgan & Company. Morgan used his new



power to make a partnership with the Drexel family interests in Philadelphia as Drexel, Morgan, & Company in 1871.

A few years later, the elder Drexel family member on the board, Anthony, died, leaving J/ P. Morgan in charge of one of the largest international banks of the time. In the last three decades of the nineteenth century, J. P. and his partners:

- Financed the entire payroll of the U. S. Army, with Drexel when Congress was unable to reach a budget resolution in 1877.
- Bailed out the U. S. government (in partnership with the Rothschilds) in the Panic of 1895.
- Make a partnership with Charles Schwab to buy the resources of Andrew Carnegie to create the U. S. Steel Corporation in 1901.
- Bailed out the New York banks to prevent their collapse during the Panic of 1907.

Determined never again to have to rescue the nation's banking system, J. P. Morgan was largely responsible for the creation of the Federal Reserve banks in 1913, the year of his death.

## Successes and failures

1. P. Morgan did not succeed with all of his investments. He funded Nikola Tesla's Wardenclyffe Tower, which would have become the world's first radio station, except Tesla spent all the money before building the tower, allowing Guissepe Marconi to be the first person to send transatlantic radio signals.

Morgan sought, but was unable to attain, approval from the British Parliament to build London's subway system. Morgan bought a shipping company that would have gone out of business after the sinking of its most famous flagship, the Titanic, except for the outbreak of World War I.

Nonetheless, J. P. Morgan was responsible for the capitalization, in whole or in part, many of America's most famous corporations, including:

- Atchinson, Topeka, & Santa Fe Railroad
- Atlantic Telephone & Telegraph (AT&T)
- Atlas Portland Cement Company
- Case Threshing Machine (Case Equipment Company)
- Chesapeake & Ohio Railroad
- Edison Electric (and the power utility for New York City)
- General Electric
- International Harvester

- United Dry Goods (including Lord & Taylor stores)

Just a year before his death, J. P. Morgan arranged the financing of the digging of the Panama Canal.

### **P. Morgan's legacy**

P. Morgan was, of course, far from universally admired in his time. His lifelong strategy was to maximize profits by slashing wages and neglecting worker safety. More men died every year inside US Steel's mills than died at the Battle of Gettysburg.

When an inventor named Westinghouse invented a cheaper light bulb, Morgan threatened him with lengthy litigation and forced him to sell his patents. All of Morgan's financial power, however, became second to none. What can modern marketers learn from his legacy?

- Long before the principle was more succinctly stated by management guru Peter Drucker, Morgan realized that the only legitimate purpose of a business organization was to create a customer. Morgan also realized that when your customers are armies and entire governments, you earn a lot more money.
- Morgan also teaches us that patience is a virtue. J. S. Morgan, the father of J. P. Morgan, dominated his son's life

until his death at the age of 40. The younger Morgan became much more of a risk-taker after his father's death, but he was able to take calculated risks and win over and over again because he had accumulated assets that made any given venture a safe undertaking.

- Morgan also taught a unique view of honesty. An honest individual, in J. P. Morgan's estimation, is someone who, when bought, stays bought. In J. P. Morgan, ruthless domination of others met efficiency and brute force.

## **Lesson Fourteen**

### **Warren Buffet: Write!**

When most of us envision a writer, we probably think of a New York playwright cooped up in her apartment, dressed in pajamas, papers and books scattered everywhere.

Or maybe we envision a nineteenth century novelist holed up in a cabin writing with a quill pen, seated at a plank table by a roaring fire.

Chances are you don't think of Warren Buffet, but some of Buffet's most important advice to modern marketers can be summed up in a single word:

Write!

### **Buffet's background**

Warren Buffet is best known as the most successful American investor of the twentieth and early twenty-first centuries. He was born in 1930, the second of three children and only son of Howard Buffet, a four-term member of Congress from Nebraska, and Leila Stahl Buffet.

Warren showed an early interest in making money. As a sophomore in high school, he managed a paper route, taking a deduction of \$35 for bicycle expense on his 1945 federal income tax return. Later in high school, Buffet and a friend spent \$25 to place a pinball machine in a barber shop. Within a few months, they had bought two more pinball machines to place in other barber shops.

After high school, Buffet attended the Wharton School in Philadelphia, but finished his bachelor's degree at the University of Nebraska. Rejected by Harvard Business School, he earned a master's degree in economics in 1951 at Columbia University, where he had enrolled specifically to take classes under a professor named Benjamin Graham.

### **Buffet enters the world of finance**

In addition to teaching at Columbia, Dr. Graham was on the board of directors at GEICO insurance. One Saturday in 1950, Buffet persuaded a janitor to let him into GEICO headquarters, where he found Graham's business partner, Lorimer Davidson.

They talked for hours, and Buffet offered to drop out of school to work for him for free. Both Davidson and Graham discouraged this, however, and Congressman Buffet advised against working

on Wall Street, so Buffet returned to Omaha to become a stockbroker.

During this time, Warren Buffet experienced one of his few failed investments. He bought a Sinclair gas station as a sideline, and it failed. However, Buffet took a Dale Carnegie public speaking course and gained the confidence to teach a course in investing to a group of wealthy doctors and lawyers in Omaha twice his age.

This gave Buffet an audience for his core business, using other people's money to make even more. Buffet began buying undervalued stocks through a series of partnerships, gaining an equal share of the profits by investing his time. By 1962, Buffet had become a millionaire, and began investing in a textile mill called Berkshire Hathaway.

### **Berkshire Hathaway**

Berkshire Hathaway was run by executives who were not aware of its value. The company had working capital of \$19 a share (exclusive of real estate and equipment), but its manager, whom Buffet later fired, was willing to sell shares for \$7 a share. Why was Berkshire Hathaway so cheap?

Berkshire Hathaway had been a huge company, but it had been shrinking for years. Every time the company closed a mill they would sell it and use the proceeds to buy their own stock. Buffet figured that he would buy the stock, the company would sell another mill, and he would sell back his stock to the company at a small profit.

That is what almost happened. Sure enough, Berkshire Hathaway sold another mill, and Buffet made a handshake deal with the manager to sell his partnership's holdings at \$11.50 a share. When the actual tender offer arrived in the mail, however, the company was offering to buy back shares at \$11.375. Buffet responded by buying enough of the company that he could fire the manager who tried to cheat him.

Eventually Buffet realized he had sunk millions of dollars into a cheap, but dying, business. He would later describe buying Berkshire Hathaway as the worst deal he ever made, because he spent the next 20 years fighting the textile business instead of making money in insurance and consumer goods.

It wasn't enough to buy things that are cheap. It was also necessary to buy things that are good. Recognizing both aspects of value is essential for keeping your existing customers, who are the sources of your capital. By focusing on value Buffet has



created an incredibly valuable company; most people never sell Berkshire Hathaway stock.

### **Clarify your thoughts by writing**

But how do you know whether a “steal” is really a good buy? Warren Buffet’s answer is simple. You read a lot. Buffet reads approximately 500 pages a day. And when you have done your reading, write down the key points of what you have learned.

What does this process accomplish? Writing, especially writing with pen and paper, clarifies thinking. It helps you communicate complex ideas. It prevents lazy communication. It gives you a record for easy reference when future questions are encountered.

Writing also keeps you sharp as you age. Now approaching his 85<sup>th</sup> birthday, Warren Buffet shows few signs of slowing down. Writing won’t make you billions, but will help you find the properties and close the sales that will make you rich.

## Lesson Fifteen

### Harland David Sanders: Persistence Pays

Harland David Sanders, better known as Colonel Sanders of Kentucky Fried Chicken (KFC) fame, has one vital lesson for modern marketers:

Persistence pays.

#### Early life

Harland Sanders was born in 1890 on a farm about 3 miles (5 km) east of Henryville, Indiana. He was the first of four children of Wilbur and Margaret Sanders.

Disaster struck the Sanders family early in Harland's life. When Harland was two years old, Wilbur broke his leg and had to give up the farm. He eventually found work as a butcher. When Harland was five, his father came home with a fever one day and died the next. Harland was quickly charged with taking care of his three younger siblings while his mother struggled to earn enough money to keep them alive.

Sanders's mother remarried in 1902, but Harland had a tumultuous relationship with his step-father. Leaving home at 14,

he worked as a farm hand and as a street car conductor. He lied about his age to join the Army in 1906, and served out his commitment as a teamster in Cuba, returning to the United States in 1907.

### **Struggles and setbacks**

Harland had more than a few setbacks in his working career. He took various positions with railroads, and was frequently fired for getting into fights. He took correspondence courses in law from LaSalle Extension College, and practiced for three years in Little Rock, Arkansas.

Finally earning enough money to support his family, Sanders lost his law license when he got into a brawl in the courtroom. He then took a job selling insurance, but lost his job for insubordination.

In 1920, Sanders established a ferry boat service on the Ohio River between the Kentucky towns of Jeffersonville and Louisville. The ferry was an immediate success, but Sanders sold his stake in the company for \$22,000, using the money to build a factory for making acetylene lamps—just as the electric light was being introduced in cities all over the country.

He then took a job as a salesman for the Michelin Tire Company, losing it when the company closed its plant, and took a job running a service station. He lost this job in 1930 as a result of the Great Depression.

### **KFC is born**

In the early 1930's, however, Sanders finally found his calling. The Shell Oil Company offered him the use of a service station rent-free in exchange for a percentage of the sales. Sanders opened a roadside restaurant, in an era when there were very few restaurants for travelers, offering fried chicken and ham steaks.

In 1935, the governor of Kentucky commissioned Sanders as a colonel in the Kentucky National Guard, giving him free publicity, and his restaurant flourished—only to burn down in 1939.

Sanders then opened a motel in Asheville, North Carolina in 1941, just as World War II broke out. With the beginning of the war, gasoline was rationed, and leisure travel became a rarity. Harlan Sanders went broke again.

This time the situation was different. Sanders had worked out his process of frying chicken in a pressure cooker, allowing for faster service of a notoriously “slow” food, and had perfected his blend

of 11 herbs and spices. It was another 11 years, however, until the then 62-year-old Sanders sold his first “Kentucky Fried Chicken” franchise in Salt Lake City, Utah in 1952. The uniquely flavorful quickly-served chicken was a tremendous success.

### **The growth of KFC**

In 1955, at the age of 65, Sanders and his wife began selling franchises in earnest. Kentucky Fried Chicken became the first fast food franchise to expand from the United States to other countries. In 1972, Sanders sold most of his American franchise rights, but continued to run his company in Canada.

He befriended Christian evangelists Jerry Falwell and Billy Graham, and continued to appear in his trademark goatee, string tie, and frock coat as “Colonel Sanders” for the rest of his life, until his death in 1980 at the age of 90.

### **Sanders’s legacy**

Sanders sold most of his rights to Kentucky Fried Chicken for a mere \$2 million dollars. In 2014, the company, a subsidiary of Yum! Brands, grossed \$23 billion at its 11,875 locations in 118 countries.

The message of the story of Colonel Sanders is that persistence pays. Sanders almost certain did not optimize his investments, but the world-famous brand KFC would not exist if had he not endured setback after setback to follow his dreams.

## **Lesson Sixteen**

### **Bill Gates: Bite Off More Than You Can Chew**

For 15 of the last 20 years, William Henry “Bill” Gates III has topped the Forbes magazine list of the world’s wealthiest people.

At the end of 2014, after nearly a decade of philanthropy, the Gates fortune was \$81.2 billion, nearly \$35 billion more than in 2004, despite having given over \$28 billion to charity.

A Harvard dropout, Gates began his computer career with an ambitious overstatement of his abilities, demonstrating his lesson for modern marketers:

Bite off more than you can chew as you offer an irresistible value proposition.

#### **Following fascination**

Bill Gates was born into a financially comfortable family in Seattle, Washington. His father, William Henry Gates, Sr., as a prominent lawyer, and his mother, Mary Maxwell Gates, served

on the boards of directors of the First Interstate BancSystem and the United Way.

Gates' father was actually the third male in the family to be named William Henry, but he had used the "II" suffix, so Bill Gates was known as William Henry Gates III (despite being the fourth in his line), or "Trey."

The young Trey Gates was sent to private schools. When Gates was in the eighth grade, his school's Mothers Club used the proceeds of its rummage sale to buy access to a mainframe computer at General Electric Corporation. As a fourteen-year-old, Gates was excused from his math classes to spend time writing programs in BASIC on the mainframe, and created a program for playing tic-tac-toe.

Soon the Mothers Club computer time was exhausted, and Gates sought access to other mainframe computers to write, among other projects, a program for scheduling dates. He and three other students were banned from Computer Center Corporation after figuring out a way to exploit a bug in their code that allowed them to use the mainframe for free.

Eventually, Gates and the other students were invited back to Computer Center Corporation to debug the code. After school officials became aware of Gates' programming abilities, they allowed him to write a program for scheduling students to their



high school classes. Gates wrote the code so he would be put in classes that had interesting girls.

Gates graduated from high school as a National Merit Scholar, and was accepted to Harvard. At Harvard, he designed a “pancake algorithm” for solving a previously unsolved mathematical problem, at record speed, and quickly decided he was bored with the academic environment, although the availability of computer access Harvard was a strong incentive to remain enrolled in school.

### **A/B Testing Without the B**

Many marketers test the waters by trying out multiple pitches with established customers to see which works best. While still a student at Harvard, Gates established a lifelong pattern of throwing out an idea before coming up with a backup plan and hoping for—and consistently achieving—the best.

In 1974, Albuquerque, New Mexico-based Micro Instrumentation and Telemetry Systems (MITS), introduced the first personal computer, in the form of a kit that the manufacturers hoped to sell to a few hundred computer enthusiasts. Reading about the Altair 8800 in *Popular Electronics*, Gates contacted the company

to tell them that he and others were working on a BASIC program platform for the computer.

In fact, Gates had not been working on software for the new computer. He just wanted to find out whether the company would be interested in software for their product. However, when MITS responded affirmatively, and offered to fly Gates' high school friend Paul Allen out to New Mexico to show their work, Allen and Gates began feverish development of the program on Harvard's mainframe.

MITS was not overwhelmed by the initial presentation of Gates and Allen's work. Gates had loaded the program onto a paper tape just before Allen left for the airport. In Albuquerque, Allen needed 15 minutes to load the tape onto a teletype, and he had to guess at the file size before the Altair 8800 would accept it.

To the astonishment of both Allen and the MITS management, the program worked, and Allen was soon hired as a vice-president of the company. When Harvard learned that Gates had been using their computers for a commercial application, it restricted computer access, and Gates decided it was time to drop out of school and work for a company. He was then 20 years old.

### **Fighting freeware**

Gates and Allen formed a company they first named Micro-Soft, dropping the hyphen when they incorporated it. One of the first challenges Gates and Allen faced was the widespread pirating of their work.

A copy of their BASIC had slipped out of MITS as the computers were being produced, and the program had become wildly popular in the computer community, not the least reason being it was free. Gates wrote a famous “Open Letter to the Computer Community” in which he explained that it would not be possible to continue developing software for personal computers without payment, but most computer enthusiasts ignored him—and Gates became very unpopular among the early adapters of the PC.

Only when Microsoft developed software for the first IBM PC, and kept the copyright, did the new company begin to become a huge commercial success.

As most users of Microsoft products can attest, Gates and his successors continued their habits of biting off more than they could chew, releasing products before they were entirely free of

bugs, taking a preemptive approach to competition. Microsoft has never relied on likeability to drive sales. If you buy Microsoft, chances are that the reason is that you have to have it.

### **What does Bill Gates teach modern marketers?**

Microsoft teaches marketers that a catchy tag line, or great customer relationships, or towering moral authority are not essential to commercial greatness. It's only necessary to identify problems and solve them, preferably with the only solution available to the consumer.

Production perfection is not necessary for massive sales. As millions of Microsoft product users who face the "blue screen of death" know, Microsoft products typically don't work perfectly in their first release.

When Gates was actively involved in the company, he solicited customer complaints so he personally could review the code that needed rewriting. Gates realized he could not learn from success, but he was not afraid to use failure as his teacher. After all, his company sold the products to no one who uses a personal computer can easily work without, and no single customer could ever endanger his market share.

Gates has turned his attention to his legacy, with plans to give away 95% of this wealth. Gates and Warren Buffet encourage

other billionaires to give away at least half of their wealth, and Gates' father has even lobbied for higher federal inheritance taxes.

Gates now cares more about changing the world through the Bill and Melinda Gates Foundation than he cares about changing computing, and it is likely he will have similar successes—and failures—in his charitable ventures.

## **Lesson Seventeen**

### **Walt Disney: Marketing Isn't Mickey Mouse**

Walter Elias Disney (1901-1965), better known as Walt Disney, created the best-known brand in the United States and later around the world in the first half of the twentieth century. A voice actor, cartoonist, writer, producer, director, industry magnate, and philanthropist, Disney's lessons for modern marketers can be summed up in a single sentence:

Be both the greatest champion and toughest critic of your projects.

#### **A Slow Start to Success**

The modern-day Disney Corporation owns not only Disney Studios and Touchstone Pictures, but also ABC (the American Broadcasting Company), ESPN, the A + E and ABC Family networks, publishing companies, and 14 theme parks around the world. The Disney Corporation has 180,000 employees; assets valued in excess of \$88 billion; and an annual net income of \$8 billion on revenues of \$12 billion.

Walt Disney's initial venture into entertainment, however, was much more modest. After having to repeat the second grade and being told the height of his career would be as a paper boy (Disney worked a paper route for six years), Disney dropped out of high school to enlist to serve in the US Army in World War I. At first he was rejected because he was too young. Finally managing to satisfy a recruiter, Disney drove an ambulance for the Army in France after the end of hostilities with Germany.

Disney came back to the United States in 1919, and for a short time considered becoming an actor. Financial pressures intervened, and he opted to pursue a career drawing political cartoons for a Kansas City newspaper.

Unfortunately for Disney, the editors of the paper didn't care for his cartoons. He was assigned the task of drawing sketches for advertisements. In 1920, Disney and another artist named Ubbe Iwerks set up a company called Iwerks-Disney to draw cartoons to be shown with silent films. The company never really got off the ground, so Disney found a job making cut-out cartoons (in much the same style as South Park today, although with actual cut-outs).

Disney thought that the future of cartooning lay in animation, so he quit making cut-out cartoons and started making animated cartoons on film for a new company called Laugh-O-Gram. The

six Laugh-O-Gram cartoons became wildly popular in Kansas City, but the owner of Laugh-O-Gram's studio overpaid his relatives on the staff and went out of business.

Walt and his brother Roy created a short-lived comedy series called Alice's Wonderland, from which they earned \$1,500. This was enough for Disney to make a break for California.

In 1926, Disney and Iwerks then created a character known as Oswald the Lucky Rabbit, Disney providing the creative vision, with Iwerks doing the actual animation. Disney secured a distribution deal with Universal Pictures, and the series became wildly successful nationwide. However, Disney failed to secure the trademark for Oswald, and allowed the studio to pay most of his animators.

In 1928, when Disney traveled from Los Angeles to New York to negotiate a higher fee for drawing Oswald, he was shocked to learn that the studio would only pay a lower fee. Making matters worse, all of his animators except Iwerks would now only draw for the studio. Disney was out on his own again.



## **The making of Mickey Mouse**

Needing to create a new character, Disney and Iwerks drew Mortimer Mouse, the hero of a new silent film they named Plane Crazy. Disney's mother Lillian suggested that "Mickey" would be a more appealing name for the character than Mortimer, and a tall, thin, somewhat rat-like Mickey Mouse was born.

Disney was unable to find a distributor for Plane Crazy, so he and Iwerks produced a second Mickey Mouse cartoon for silent film houses, Gallopin' Gaucho. This cartoon also failed to find a market so Disney and Iwerks made a "talkie" called Steamboat Willie featuring Mickey and his girlfriend Minnie. Risking a production budget of \$4,896, Disney at first screened the silent cartoon with live sound—because no one believed a "talking" cartoon was possible.

Disney and Iwerks later used new audio technologies to create an animated cartoon that did not need in-house actors and music, becoming early masters of marketing outside the box . The foundation of the Disney empire was laid.

## **What does Mickey Mouse teach us about marketing?**

For the next 17 years, Disney and Iwerks refined the character of Mickey Mouse. They gave him a pet dog, Goofy, and introduced

him to Donald, Daisy, Della (Dumbella), Huey, Dewey, Louie, and Scrooge McDuck. Disney and Iwerks made more and more technologically advanced and wildly popular animated movies that became one of the most widely recognized and beloved American products around the world.

### **What was it that made Mickey Mouse so successful?**

Walt Disney devoted 37 years of his life, in varying degrees, to Mickey Mouse. It is easy to imagine Disney playing around with the idea of a mouse. Mortimer becomes Mickey, and begins to have a personality. He morphs from long and rat-like to potbellied and mouse-like. His world changes from black and white to color. His story lines evolve from simple animation to elaborate animation. Mickey even develops relationships with a girlfriend and some endearingly dopey friends, and goes on television.

Disney allowed Mickey to become an entity on his own. In a creative sense, Disney was Mickey's parent, and Mickey was Disney's parent. Disney was Mickey's critic as Mickey was constantly evolving, but Disney was also Mickey's staunchest defender, making sure that Mickey Mouse movies would have a place in the world for decades to come.

It is possible to be both passionate and critical about marketing. Passionate about creating excellence, cold and calculating about dealing with competition. Disney's path to success depended on creating a new audience, something made possible by his early adoption of successful technologies at the forefront of his industry. New technology gave his creativity maximum impact, enabling success that is rarely duplicated.

## **Lesson Eighteen**

### **Andy Grove: Only the Paranoid Survive**

A brilliant engineer, former Intel president Andy Grove has been dubbed by business historians as “the guy who drove the growth phase” of Silicon Valley. The famously immodest Steve Jobs idolized Grove and called on him for advice when he was starting Apple.

Grove became the go-to expert on the management of electronics companies, famously advising:

Only the paranoid survive.

#### **Grove’s early life**

Andrew Stephen (“Andy”) Grove was born in Hungary in 1936 to Jewish parents who gave him the birth name András István Gróf. At the age of four, just before the Nazi invasion, Grove contracted scarlet fever, which nearly killed him and left him partially deaf.

In order to survive the Nazi occupation, Grove and his mother lived under false names, sheltered by friends, but Grove’s father was sent to a labor camp in Eastern Europe.

All three Groves survived the war, but had to flee Hungary for Austria in 1956 after the Soviet Union cracked down on the relatively liberal Hungarian Communist government.

Grove notes in his memoirs:

“By the time I was twenty, I had lived through a Hungarian Fascist dictatorship, German military occupation, the Nazis’ ‘Final Solution,’ the siege of Budapest by the Soviet Red Army, a period of chaotic democracy in the years immediately after the war, a variety of repressive Communist regimes, and a popular uprising that was put down at gunpoint. . . Many young people were killed; countless others were interned. Some two hundred thousand Hungarians escaped to the West. I was one of them.”

### **Grove arrives in the USA**

In 1957, Grove arrived in New York City and took a job as a busboy in a restaurant where he met his future wife, another Hungarian refugee who was working as a waitress.

Grove managed to earn a degree in chemical engineering at the City College of New York in just three years while simultaneously working at the restaurant and courting his wife. He gained his PhD from the University of California at Berkeley just three years later.

Grove's scientific expertise enabled him to become an early expert in integrated circuits, a technology without which the microcomputers in our desktop PCs, laptops, and cell phones would not function. In 1967 he and another Hungarian refugee, Leslie Vadász, became the first two employees of a newly formed company known as Intel.

### **The growth of Intel**

Intel initially made memory chips, but when Japanese competitors began dumping memory chips on the American market Grove led Intel's transition to becoming a premier producer of microprocessors. Intel's revenues grew from just \$2,627 in 1967 to \$20.8 billion in 1997.

During Grove's tenure as CEO of the company, its market capitalization grew from \$4 billion to \$197 billion. Beginning with 2 employees, the company now has 108,000.

### **Grove's success formula**

What are the principles that Grove sees as driving his business success? Andy Grove's formula goes something like this:

Smart actions lead to success, but success breeds complacency. Complacency breeds failure, so constant innovation is a necessity. Only the paranoid survive.

To avoid complacency's creeping into the Intel business culture, Grove famously encouraged employees to speak their minds. Grove called the process "creative confrontation."

It was not enough for Intel to have a magic moment of creativity like the one experienced by Hewlett and Packard when they built their first audio oscillator in a garage. Working out the details of design, scaling projects for affordable production, building factories, recruiting marketers, and keeping employees happy take more than a few moments of peak inspiration.

### **Lessons from Intel**

Grove also applies his principles to issues that did not face his company in the 1960's and 1970's. He counsels that diversity in the workplace requires long-term commitment. It is not enough to hire people from diverse backgrounds to enrich the creative culture. Those people have to feel at home.

Grove also applies his principles to the challenge of job creation at a national level. Countless economists and government officials have advised companies to send manufacturing outside the

company's home country and to keep knowledge work at home. Grove argues that the chain of experience from the manufacturing floor to the executive offices is broken when jobs are sent abroad, and that the only way to innovate is to keep all the people responsible for the company's success in constant contact.

### **Only the paranoid survive**

Engineers are known for their ability to focus on problems. Grove tells engineers that they need to be on the lookout for problems they do not yet see. A healthy dose of paranoia is necessary to survive, and to thrive, in a complex and constantly changing competitive environment.



## **Lesson Nineteen**

### **William R. Hewlett: Success Made Possible by an Exceptional Partnership**

The tech space is occupied by phenomenally successful partnerships. Steve Jobs and Steven Wozniak at Apple, Bill Gates and Paul Allen at Microsoft, Sergey Brin and Larry Allen at Google, and Jerry Yang and David Filo at Yahoo provide role models for modern tech entrepreneurs.

Fifty years before any of these partnerships were formed, and before most of these modern business giants were born, one of the earliest successful tech partnerships was founded by William Reddington “Bill” Hewlett and David Packard. The pair founded HP (Hewlett-Packard), an early innovator in electronics. We’ll turn our attention to one half of this partnership, Bill Hewlett.

The lesson from Bill Hewlett for modern marketers is:

Complementary skills and mutual respect can drive a great business.

### **Early life**

Bill Hewlett was born in 1913 in Ann Arbor, Michigan, where his father taught medicine at the University of Michigan. In 1916, the elder Hewlett moved the family to San Francisco, California and then took a position teaching medicine at Stanford. Professor Hewlett died of a brain tumor in 1925, and Stanford took Bill as a legacy student in 1930.

Hewlett earned a bachelor's degree at Stanford four years later, and a master's degree in electrical engineering at M. I. T. in 1935. Along the way, Hewlett took a two-week fishing and camping trip with his classmate David Packard to celebrate their graduation from Stanford.

### **Forming HP**

They became firm friends. With the encouragement of one of their professors, Fred Terman, they began to discuss starting a company, and eventually founded their electronics business with initial capital of \$537 in 1938. Hewlett and Packard decided to name their company HP on the basis of the flip of a coin.

Hewlett and Packard began working on their gadgets in Packard's garage. Their first product was an audio oscillator. It was not a major technical innovation, but it was considerably less expensive

than any competing product, a major selling point for existing customers of their competitors.

The audio oscillator caught the attention of Walt Disney, who used it to enrich the soundtrack of his breakthrough film *Fantasia*. The purchase of just eight units by Disney gave Hewlett and Packard the capital they needed to develop still more electronics, and by 1942 they had grown their company to eight employees and revenues of \$500,000.

### **The growth of HP**

Earning \$100 million a year was to take almost another 20 years, when the partners took their company public.

HP reached billion-a-year status in 1970. They then began exploring manufacturing options in China, long before other companies imagined using Chinese workers.

Thirteen years after Hewlett's death, in 2014, the company had \$5 billion in net earnings on total income of over \$114 billion.

### **The HP way**

Hewlett and Packard left a legacy of management innovation as well as product innovation. They coined the term “management by walking around.” They introduced the concept of flex time.

They created an environment for innovation they called The HP Way, with basic principles that are still applicable in business partnerships today.

- **Shared visions and values**

Hewlett and Packard were both easily bored, and both technically brilliant. By choosing employees with similar personality characteristics, they enjoyed easier communication and coordination of creative efforts.

- **Trust**

Hewlett and Packard did not have to rely on clauses in contracts to define their relationship. They came to expect a full commitment from their employees, and gave a full commitment in return.

- **Ground rules**

Hewlett and Packard were explicit about what they expected their company to accomplish. The process of making the ground rules was not just about consensus, but also about

what was best for the business, and seeing how rules made accomplishing goals possible.

- **Keeping lines of communication open**

Mistakes, money, and management required constant communication, with a tone of mutual respect.

- **Synergistic thinking**

Like other fantastically successful tech sector entrepreneurs, Hewlett and Packard were collaborative innovators. They used each other to brainstorm, to bounce off ideas. Lone-wolf creators were and are seldom leaders in high-tech product development.

- **Giving more than you take**

An attitude of being “more than 100% in” a partnership reduces the risk of disappointment, and makes the business more resilient in the face of challenges.

Bill Hewlett and David Packard’s business partnership grew from outings as fishing buddies to creating Silicon Valley in their garage. From their foundation of mutual respect and complementary talents, their business grew from less than \$1000 in assets in 1938 to a market capitalization of over \$62 billion today.

## Lesson Twenty

### Andrew Carnegie's 5 Personal Traits Every Marketer Should Have

Steel industry magnate Andrew Carnegie was born into poverty but died one of America's richest men. How did he do it?

Carnegie's autobiography offers some excellent advice which is still useful in the age of internet marketing:

- "Always be on the lookout for opportunities, and when one arises, grab it." The greatest earnings go to marketers who grab opportunities as they arrive.
- "The ability to memorize is a powerful tool." It's great to be able to find information by entering a search term in Google, but nothing can beat having marketing techniques memorized so you can apply them the moment you need them.
- "Exercise initiative by taking appropriate action in the absence of orders." Great marketers avoid following "orders" from the market, instead choosing to create a new market for a new product or a new service.

## Who was Andrew Carnegie?

Andrew Carnegie (1835-1919) is a true example of a rags-to-riches story. Born into a family living in half of a room in a weaver's cottage in Scotland, Carnegie accumulated the inflation-adjusted equivalent of \$309 billion—and gave all but \$35 million of it away in his lifetime.

How did Carnegie progress from working 12 hours a day, six days a week, for \$4.80 a month to reigning as the preeminent figure in American industry? Carnegie's epic success can be summed up in six personal characteristics:

### 1. Intense desire

When Andrew Carnegie was a boy, his family lived in just half of a one-room cottage in Dunfermline, Scotland. This room also contained the loom on which they made cloth for their livelihood.

Carnegie's father, however, was not content for them to spend their lives in poverty. He learned to weave damask, for which there was greater demand. This allowed the Carnegies to save enough money to make the voyage to America.

When Andrew was 13 his family moved to Allegheny, Pennsylvania. He soon got a job as a "bobbin boy" in a textile mill paying \$1.20 a week for 72 hours of work.

This tough start in life gave Carnegie a burning desire to succeed and become rise out of poverty.

### **2. Attention to detail**

Faithfully working 72 hours a week in the textile mill for two years, Carnegie eventually got a better job—for \$2.50 a week—working as a telegraph delivery boy for the Ohio Telegraph Company in Pittsburgh, Pennsylvania.

Carnegie realized that he could improve his chances for success with his job by learning all the addresses of businesses in Pittsburgh and all the faces of important businessmen (businesswomen being a rarity in that era).

He paid such close attention to the dots and dashes of the telegraph so that he could memorize messages without taking time to write them down, saving time, and helping him make better connections with the people who could give him better work and access to money to build his first companies.

### **3. Curiosity**

In the nineteenth century, Sunday was reserved for church. Saturday night was the only time to have fun. Rather than spending his money on drinking and dance halls, Carnegie took advantage of an offer from Colonel James Anderson to read the 400 books in his personal library for self-improvement.



#### **4. Willingness to take risks.**

By the age of 18, in 1853, Carnegie had found work as a secretary and telegraph operator for the Pennsylvania Railroad Company for a wage of \$4.00 a week.

Railroads were the fast growing industry in the United States at that time, and investing in railroads was making a new generation of millionaires. Carnegie so impressed one of the principal investors in the railroad, Thomas Scott, that Scott gave Carnegie \$500 to invest in a company called Adams Express.

Carnegie's new venture used couriers to deliver small packages (and messages along the Underground Railroad) throughout the northeastern United States.

Carnegie had to persuade his mother to take out a \$500 mortgage against their \$700 home to secure the investment, but the success of this first risky venture gave Carnegie many more opportunities to make vast sums of money with his railroad connections.

#### **5. Luck**

In 1864, Carnegie invested \$40,000 in Story Farm on Oil Creek in Venango County, Pennsylvania. His driller struck oil,

and within twelve months, the 25-year-old Carnegie had collected over \$1 million in royalties and other payments.

This allowed him to buy his first steel mill at a time when demand for the metal for making railroad cars and railroad tracks was at its greatest. His empire grew until he became one of the wealthiest persons in American history, second only to John Rockefeller.

### **Carnegie's legacy**

The rest, as we can tritely say, is history. Carnegie famously used his fortune to establish Carnegie Hall, and founded the Carnegie Corporation of New York, the Carnegie Endowment for International Peace, the Carnegie Hero Fund, the Carnegie Institution for Science, the Carnegie Trust for the Universities of Scotland, Carnegie Mellon University and the Carnegie Museums of Pittsburgh, as well as 2,509 libraries across the United States and the United Kingdom.

## **Lessons from Carnegie's success**

But what can you or I learn from the epic success of Andrew Carnegie? How can Carnegie's story inform successful marketers in the twenty-first century?

- Connections can be more important than individual sales. In 2015, much of marketing occurs over the Internet and is driven by paid ads and SEO, but knowing a few customers who have money and who are willing to spend it may be much more important than appealing to search engines.
- Attention to—not obsession over—detail makes sales. Even when you are selling a simple product, attention to the details of your customer base can help you sell something else.
- Making sales and earning profits is essential to short-term success, but acquiring new customers and finding new products for their needs is essential to long-term success.

Even more essential to your success is focused, determined, goal-directed action. If you are reading this article, you may not have been as lucky as Andrew Carnegie. But if you take on Andrew Carnegie's mindset, you will make your own luck.

## **Lesson Twenty-One**

### **Alfred Sloan: Growing a Business by Growing Customer Choice**

Alfred Sloan saved General Motors (GM) for the first time in the 1920's. Cobbled together from a dozen smaller competing car and car part companies at the beginning of the twentieth century, General Motors was in general a loss-making company struggling to find a product to compete with Henry Ford's Model-T.

It took 10 years, but Alfred Sloan was able to make every division of the company profitable. Not only did he achieve this turnaround in the depths of the Great Depression, Sloan also grew the company to make it the world's premier automaker and the nation's largest employer.

In a nutshell, Alfred Sloan teaches marketers of today that:

Success comes from marketing outside the box.

Henry Ford's Model-T may have been the best value car on the market, but GM's selection brought in more customers and greater revenues, providing a foundation from which to build a larger company.

### **Who was Alfred Sloan?**

The future savior of General Motors was born Alfred Pritchard Sloan, Jr. in 1875 in New Haven, Connecticut. Graduating with a degree in electrical engineering from the Massachusetts Institute of Technology in 1895, Sloan became the president of the Hyatt Roller Bearing Company, a maker of ball bearings, in 1899.

Sloan's company was soon supplying ball bearings to the Oldsmobile Company. Hyatt Roller Bearing merged with a number of smaller car and car part companies to create General Motors about the time of the First World War. Sloan became chief executive officer in 1923, and chairman of the board in 1937.

### **Sloan's innovations**

Sloan made GM competitive by taking an entirely different approach to making cars. Henry Ford perfected the Model-T, famously telling customers they could have their cars in any color they liked, as long as it was black. Sloan had GM make cars in a variety of colors, and introduced the idea of changing the exterior design of the car every year.

Sloan also introduced the idea of planned obsolescence. While the design of Ford's Model-T over the years, Sloan's introduced

upgrades to GM's cars, encouraging customers to buy the latest model.

He also introduced the idea of brand architecture, the idea that a single company could control multiple brands of products. Today GM manages several distinct brands including Chevrolet, Buick, and Cadillac.

Sloane also focused on maximizing profits through improving organizational structure rather than relying exclusively on engineering innovations. GM also padded its profits by its unusual system of placing evaluations on inventory. The company treated inventory as if it were cash, and managers incurred no penalty if inventories built up.

### **Sloan's profit focus**

Sloan was famous, or infamous, for his focus on profit, even to the extent of trading with Nazi Germany in World War II. Some historians believe that Germany could not have invaded Poland and Russia without coordinated assistance from GM in its Opel auto works. The collaboration between GM and Opel lasted until 1945.

GM succeeded at replacing streetcars with buses in nearly every American city by violating anti-trust laws, but when a federal

court found GM and its executives guilty, the company was fined only \$5,000 and GM executives were fined only \$1 each.

Sloan became associated with “foolproof” personnel management, creating extensive bodies of rules to cover every workplace event, without regard to the personalities involved. General Motors was famous for its “organization men,” bureaucrats who occupied the same position their entire working lives.

After Sloan’s death in 1966, many experts believe, the rigidity of GM’s management system contributed to the company’s decline in the 1980’s, 1990’s, and 2000’s.

### **Marketing lessons from Sloan’s legacy**

Fifty years ago, Sloan released his autobiography, *My Years at General Motors*, shortly before his death at the age of 91.

American industry has changed so much that this half-century old biography might have all the appeal of an insect preserved in amber, but some of Sloan’s insights and strategies used to compete with Henry Ford are valid even today:

- Ford created an industrial giant by single-minded focus on engineering. Sloan created an even larger industrial giant by a single-minded focus on marketing. Marketing, in Sloan’s

time, and perhaps also in our own, makes more money than engineering.

- Ford put American on wheels. Sloan realized that once most people who wanted cars had them, it would no longer be optimally profitable to compete on quality and price, but rather on pizzazz.

- At Ford Motors, decisions came down from the top.

Decisions at GM were much more decentralized. Ford, in the Model-T era, had a single product line, the fate of the company tied to a single product. GM had multiple product lines, each free to maximize profits.

### **Warnings from Sloan's legacy**

Sloan also left a number of lessons by negative example. About the time of Sloan's death, years of focusing on marketing and personnel administration rather than engineering and innovation began to show. By the late 1960's, Mercedes-Benz was making safer, cheaper, and better designed cars than Cadillac.

During the oil embargo of 1973, gas-guzzling Cheves began to lose market share to fuel-efficient Japanese imports.

Entrepreneurs now run the industrial world, not "organization men." But providing variety in consumer choice always stimulates



consumer desire. Effective marketing will greatly benefit your company as long as it doesn't take your focus away from your product.

## Lesson Twenty-Two

### 3 Marketing lessons from Elon Musk

Elon Musk is one of the best-known CEOs in the tech industry. He is a man of big projects; known for co-founding Paypal, starting electrical car manufacturer Tesla, and launching SpaceX, the first private company to deliver goods to the International Space Station.

His name also comes up in discussions about futuristic transportation methods (the hyperloop) and projects to colonize Mars. Given Musk's ability to generate a media frenzy about his projects, it's no surprise that marketing professionals carefully follow Musk's every move[1].

Usually Musk's latest project is so exciting that marketers looking to learn his secrets get swept up in the hype, but the real marketing lessons are hiding somewhere else.

The story behind Musk's businesses teaches more valuable lessons than watching the CEO perform on a global stage. Musk's greatest marketing success was in generating the media buzz that surrounds him today. It is in the story of getting to where Elon Musk is now; how he grabbed the world's attention.

## Challenging the status quo

From the beginning, Elon Musk wasn't mainstream.

You can't just blend into the business world when your products are revolutionary payment methods, all-electric supercars and space rockets. But even then, his edgy choices and larger than life goals didn't come out of nowhere.

Musk moved from South Africa to Canada to avoid military draft and to be closer to the United States, where he ultimately became a citizen in 2002. Once he was in the United States, he dropped his PhD program after two days to start his entrepreneurial journey[3]. Bold choices he has no reason to regret now, though choices that required great courage at the time.

In all his ventures since, Musk has demonstrated three pieces of marketing wisdom:

### 1. Build to amaze

The first marketing lesson is that Musk's work is remarkable.

His products draw attention and go beyond people's initial expectations. The industry and market for electric cars wasn't brand new, but nobody in that category was building sports cars – cars people actually want to buy.

When the Tesla entered the market, it was big news. Electric cars weren't just hybrid sedans for environmentalists anymore. In fact, the whole idea of hybrid was gone. With the network of supercharging stations, you can drive a sports car from American coast to coast. This makes driving the Tesla not just a new car, but a statement of a new era.

### **2. Sell comfort and security**

With every new product, Musk finds a way to attach radical new features to a known concept. This allows his ideas, generally outside the comfort zone for most people, to be more easily accepted.

The uncertainty of paying online was made a lot less uncertain when eBay first endorsed, and later bought Paypal. The match up with eBay made a revolutionary payment model the standard option, and skyrocketed its use.

Another Musk creation, SolarCity, used a similar tactic. The solar panel company uses a leasing model that allows homeowners to have solar panels installed, and then pay for the installation with the energy generated [5].

A similar pattern unfolded with Musk's other two ventures. The collaboration of SpaceX with NASA provided Musk's company with an existing platform to work from [6], and the Tesla was

the first fully electric car, completing an idea that had started with the first hybrids.

### **3. Appeal to dreams**

All Elon Musk's ideas seem far-fetched at first, but are very recognizable dreams people have had for ages. Listening to Musk is almost like watching a science fiction movie unfold. All the ingredients are there: travel with the sound of a light electric buzz, a payment system that eliminates the traditional ideas of money, a solar-powered world, and exploration beyond the limits of planet earth.

His confidence and project range appeal to a future that we vaguely believe would ever come. After all, the very first version of the hyperloop project was suggested in 1812, when a gentleman named George Medhurst applied the idea of a vacuum tube to the problem of transport [7].

When listening to Musk, you can't escape the feeling that he's crafting a better future for you. His ideas tie seamlessly with promises of a better future that are as old as science fiction itself. Through his products, he sells a future powered by clean energy, where travel is made smoother and faster.

This appeal to dreams is a classic marketing strategy, one that Musk blows up to far greater proportions. It's the promise of

getting the girl with the right deodorant on steroids. The clean future is within reach, and you can drive there in a beautiful sports car.

## **Lesson Twenty-Three**

### **How Dave Ramsey Markets His Financial Message**

Dave Ramsey's company has grown in a phenomenal way in the last 20 years. He has been able to help thousands of people get out of debt in that time.

#### **Building a solid team**

Jen Sievertson is the CMO for Dave's company. Jen and her team have done an outstanding job of creating a solid community with Dave's fans. She has understood how important content can be.

"People are more connected today in general," she explained.

"They expect to be more connected to you and your company.

It's not just about connecting with the people they know anymore."

Social media has changed marketing methods in a huge way and Jen stays on top of current trends and how to engage Dave Ramsey fans through social media.

Jen has also understood from studying other businesses that good, helpful content is what fosters success. She and her team work hard to keep plenty of solid content on Dave Ramsey's site.

### **Study marketing and do it well**

Dave Ramsey believes in marketing your business in the strongest way possible, and staying on top of what is currently working. What worked in the past will not necessarily work now, and things change constantly.

Dave says, "Great marketing is critical to business success, and Guerrilla Marketing is a critical work for anyone who wants to learn how to do it." – Dave Ramsey

### **Helpful content**

Dave understands that helping people solve their everyday problems with good content is huge in today's world. His website is constantly jam packed with different ideas to help people save money.

His brand is financial advice to help people get out of debt and stay out. He understands all too well that this means making an



emotional commitment to changing your habits when it comes to money.

People can find great content on Dave's site in a variety of ways, including posts, archives to the radio show, live chat, and forums. People constantly have questions for their own financial situations and they can find answers through Dave's show or his site.

Dave Ramsey has understood the importance of investing in marketing tools that make him available to people who need his help.

## **Lesson Twenty-Four**

### **Richard Branson's Unique Approach to Marketing**

Richard Branson has been building successful businesses since the age of sixteen. His first business was a magazine called Student.

He has successfully grown his businesses since then and became founder of a group of over 400 companies.

He is obviously a driven man. His approach to marketing his businesses is different than the way most companies approach marketing.

#### **Marketing outside the box**

"You can create a business, choose a name, but unless people know about it you're not going to sell any products." – Richard Branson

Richard Branson knew marketing was important and he had to find a way to draw attention to his business. He knew he didn't

have the marketing budget to compete with other companies, at least not in the beginning.

He also understood that there is no guarantee that throwing a great deal of money into marketing will guarantee success for your business.

Richard didn't believe in taking shortcuts to success either.

Sir Freddie Laker was a man who helped Richard Branson by giving him a philosophy to use in his marketing. He ultimately advised Richard to use himself and crazy stunts to draw attention to his companies.

Richard Branson took this idea and learned to think outside the box and doesn't always do typical advertising. He markets himself and his companies in part by using media attention and fun stunts.

He is famous for publicity stunts that attract attention to his companies. These stunts have become his trademark.

### **Using social media**

Richard likes social media because it is much less expensive than most advertising. Social media gives you the opportunity to interact with your customers.

Social media's purpose is to let people know who you are and have a certain amount of fun communicating with them.

Selling and marketing are not the same thing. Trying to sell on social media is not the thing to do. You simply need to be genuine on social media.

Richard Branson understands all these things about social media. He likes to get feedback from people to understand them better.

"Knowing who we are and what we stand for ensures that we don't waste time or money on messaging that doesn't represent us or resonate with our customers." – Richard Branson

Basically, Richard Branson has a passion for living a full life and enjoys people and serving them. He has built his companies around this philosophy.

His marketing style reflects this belief. He believes in letting people see him having fun and doing extraordinary things with his life as inspiration.

Marketing himself this way brings people to him and his companies and ultimately turns them into customers. Part of marketing is the creation and distribution of a message that fits a company's DNA, so people want to do business with you. In Richard Branson's case this message is fun!

## About Experimarketing

Experimarketing offers you a whole marketing team for the cost of a single employee. Our monthly packages offer a constant supply of premium unique content, professional email marketing campaigns, and engaging social media posts to power your business forward.

We are a team of copywriters, editors, marketers, designers and business strategists who can take the lessons explored in this eBook and put them into action.

Experiments are central to how we work, so every aspect of your marketing will be tested and tweaked so that it continually improves and gets better results.

Discover more about our services at [experimarketing.com/services](https://experimarketing.com/services), or drop us an email at [hello@experimarketing.com](mailto:hello@experimarketing.com).

We hope you enjoyed this eBook, and look forward to hearing from you soon!