

WISDOM TO LIVE BY

Rand On Innovation

The great creators — the thinkers, the artists, the scientists, the inventors — stood alone against the men of their time.

Ayn Rand, writer



Gardner On Persuasion

Leaders are almost by definition people who change minds.

Howard Gardner, author

Wilson On Excellence

When you focus on your customers, you're never satisfied. There's always something you can improve.

Debora Wilson, Weather.com CEO

Zimmer On Dealing With People

Our business is based on faith in the value of human potential.

George Zimmer, Men's Wearhouse founder

Jefferson On Humility

Pride costs us more than hunger, thirst and cold.

Thomas Jefferson, third U.S. president

Wunderman On Motivation

The most dangerous question a prospect or customer asks is "Why should I?" And he may ask it more than once. . . . The product and its communication stream must continue to provide him with both rational and emotional answers.

Lester Wunderman, marketing pioneer

LEADERS & SUCCESS

IBD'S 10 SECRETS TO SUCCESS

Investor's Business Daily has spent years analyzing leaders and successful people in all walks of life. Most have 10 traits that, when combined, can turn dreams into reality. Each day, we highlight one.

- 1 HOW YOU THINK IS EVERYTHING:** Always be positive. Think success, not failure. Beware of a negative environment.
- 2 DECIDE UPON YOUR TRUE DREAMS AND GOALS:** Write down your specific goals and develop a plan to reach them.
- 3 TAKE ACTION:** Goals are nothing without action. Don't be afraid to get started. Just do it.
- 4 NEVER STOP LEARNING:** Go back to school or read books. Get training and acquire skills.
- 5 BE PERSISTENT AND WORK HARD:** Success is a marathon, not a sprint. Never give up.
- 6 LEARN TO ANALYZE DETAILS:** Get all the facts, all the input. Learn from your mistakes.
- 7 FOCUS YOUR TIME AND MONEY:** Don't let other people or things distract you.
- 8 DON'T BE AFRAID TO INNOVATE; BE DIFFERENT:** Following the herd is a sure way to mediocrity.
- 9 DEAL AND COMMUNICATE WITH PEOPLE EFFECTIVELY:** No person is an island. Learn to understand and motivate others.
- 10 BE HONEST AND DEPENDABLE; TAKE RESPONSIBILITY:** Otherwise, Nos. 1-9 won't matter.

TAKE ACTION

Avoid Battles Over Prices

Whether the economy is booming or flailing, try to avoid price wars. How much you charge for products and services has a huge impact on the bottom line.

Just a 1% price cut eliminates a 10th of your profit. Reduce prices by 5%, and sales volume has to climb 18% for you to break even, says Michael Marn, a partner at consulting firm McKinsey. "If your objective is to be profitable, you never want to find yourself in a price war or cause one," he told IBD. "You'll never get enough volume to make up for the price declines."

Marn, co-author of "The Price Advantage," and David Reibstein, a marketing professor at the University of Pennsylvania's Wharton business school, share tips.

■ Spotlight quality. Promote the differences between your products and services and those of your rivals. If your cars offer more safety features, highlight that. "Emphasize those benefits as justification for your higher price," Marn said. **■ Don't overreact.** Suppose you accurately learn that your rival is slashing prices. Don't urgently respond by cutting fees of your own. Sometimes rivals make mistakes. Maybe they shouldn't have lowered prices. Or maybe they're trimming rates only in Southwest Florida and you shouldn't respond with nationwide markdowns. "One misstep by your competitor does not deserve a response," Marn said.

■ Verify it. Make sure what you hear about your competitor is accurate. Who told you that the other company charges less? Did its chief executive tell you? Did a client? Or did your sales representative misinform you? "If a salesperson loses a deal, it's easier for him to report back to a manager and blame the competitor's lower price instead of

being honest and admitting he was outsold, that the other product was better," Marn said.

■ Spell it out. Make sure your company's press releases and letters to buyers plainly state all the restrictions behind your deals. Clarity reduces the risk of a price war.

■ Respond with excellence. If your rival cuts rates, react with non-price changes. Extend your warranties and offer more delivery options.

Deliver your products closer to the time your customers need them, and reduce their inventory carrying costs. "It's not (expensive) to offer this extra service and could be effective in defending market share," Marn said. "The competitor with the low prices may be unable to match your better service, endearing you even more to the customer."

■ Keep it short. Reibstein said: "Deal with heightened price sensitivity during the bad economy without destroying your long-term profits. Adopt temporary price reductions, not permanent ones. If you offer a discount, make it a 30-day sale, or provide a coupon but keep your price at \$250. You maintain perceived quality and announce to competitors that your price remains at \$250."

Consider Los Angeles-based Pinkberry. The closely held yogurt retailer is offering a half-price discount on just its watermelon flavor. It clearly indicates in large, pink type on its storefront window that the deal is valid only during "happy hour" this summer.

■ Avoid deal-prone folks. Price-sensitive customers are easy to win by just slashing what you charge, but they're also easy to lose.

"I cut prices and suddenly my market share jumps, but when your competitors lower their prices, there they go," Reibstein said. "Easy come, easy go." **Gloria Lau**

He Had Self-Service In Store

Innovate: Clarence Saunders' Piggly Wiggly supermarkets empowered shoppers

BY VINCENT MAO

INVESTOR'S BUSINESS DAILY

Win if you can, lose if you must, but keep on fighting.

That's what entrepreneur and innovator Clarence Saunders did.

Saunders is best known for creating the Piggly Wiggly supermarket chain and changing the way people buy groceries. He didn't create self-service, but he popularized it.

The concept is standard in today's grocery stores.

"When you think about early food retailing, Clarence Saunders was always put at the front of the parade," Bill Bishop, chairman of consulting firm Willard Bishop, told IBD.

The story of Clarence Saunders is also one of persistence. He suffered several setbacks that would have kept many people down for good.

He simply never surrendered. Saunders always bounced back, fighting until the day he died.

"I would say he was indomitable," said Steve Pike, director of the Pink Palace Family of Museums in Memphis, Tenn. "You knock him down and he'd get up one more time. He never stopped reaching for the brass ring."

Grocery shopping didn't always involve going to a store, browsing the aisles, picking items off shelves and taking them to a checkout line.

In the old days, you'd walk into a shop, head to the counter and tell the shopkeeper what you needed.

Whether you wanted five pounds of flour or a load of canned beans, a clerk would get it all for you — or have your stuff delivered.

Having someone else fetch your groceries may sound comforting, but that old way of doing business had drawbacks. First, items didn't show clear prices. Second, clerks might take a long time to serve you.

The Early Steps

He was born in 1881 to a poor family in Virginia and moved to Palmyra, Tenn. According a 1992 article in the Tennessee Historical Quarterly titled "Clarence Saunders: The Piggly Wiggly Man," he was so poor, he didn't have shoes one winter.

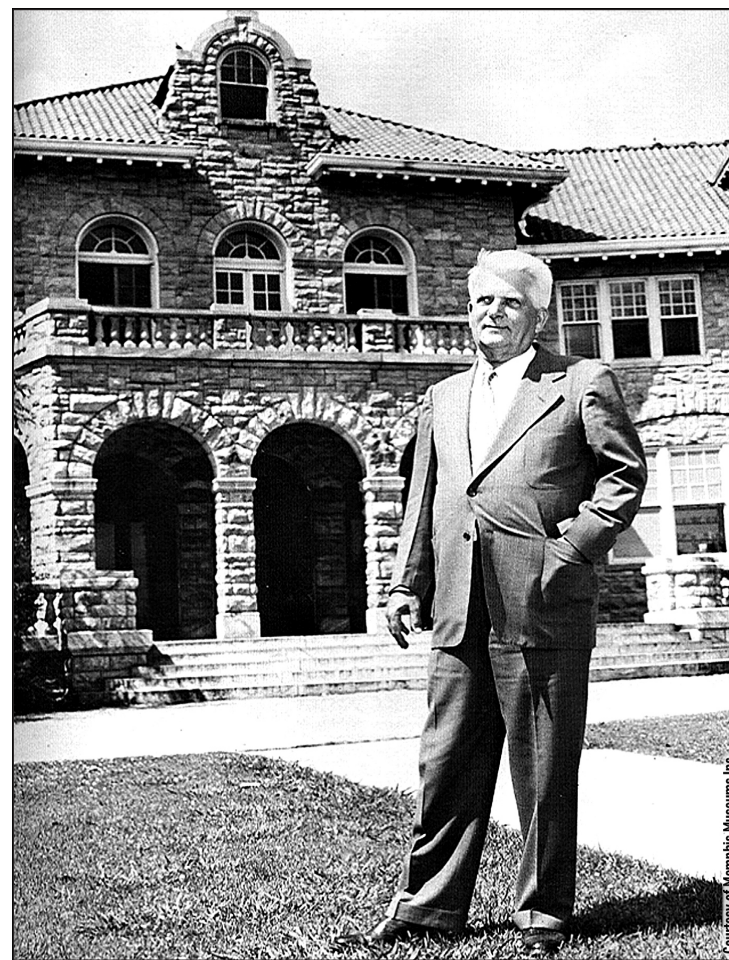
Saunders left school at 14 to work at a grocery store. He proceeded to learn the trade while toiling at several wholesale grocery companies.

Saunders saw the inefficiencies of selling groceries the old way and set out to change the system.

Now a 20-year veteran of the grocery industry, he opened his first Piggly Wiggly self-service grocery store in 1916 at 79 Jefferson St. in Memphis — a replica of which is at the Pink Palace Family of Museums.

His oddly named stores forever changed the retail landscape. And why the name, anyway?

Pigglywiggly.com tries to explain: "One story is that he saw from a train window several little pigs



Saunders was born in Virginia, moved to Tennessee, opened his first Piggly Wiggly in 1916 in Memphis and expanded the firm into 1,300 stores by 1923.

struggling to get under a fence, and the rhyming name occurred to him then. Someone once asked him why he had chosen such an unusual name for his organization, and Saunders' reply was, 'So people will ask that very question.' He wanted and found a name that would be talked about and remembered."

Inside a Piggly Wiggly, shoppers were not at the mercy of shop clerks. They were free to roam the store, check out the merchandise and get what they needed with their own two hands and feet.

Prices on items at Piggly Wiggly were clearly marked. No one pressured customers to buy milk or pickles. And the biggest benefit at the Piggly Wiggly was that shoppers saved money.

Self-service was a positive all around. "It's good for both the consumer and retailer because it cuts costs," noted George T. Haley, a professor at the University of New Haven and director of the Center for International Industry Competitiveness. "If you looked at the way grocery stores were run previous to Piggly Wiggly and Alpha Beta, what you find is that there was a tremendous amount of labor involved, and labor is a major expense."

Piggly Wiggly cut the fat.

Hardly Easy

Saunders' opening Piggly Wiggly was a gamble on two fronts.

1. He had no guarantee that patrons would buy into this new way

of getting groceries.

2. America soon entered World War I — a time of low food supplies and high prices.

"It was a gutsy move on Saunders' part, but it was also I think a smart move because it was a period of time when there were tremendous shortages in the market," Haley said. "For instance, flour, cornmeal, sugar and salt were being redirected for the troops, and that caused a tremendous increase in prices in the grocery stores."

The Rise

Piggly Wiggly and the self-service concept took off. Saunders opened nine stores in the Memphis area within the first year of business. Consumers embraced the efficiency, the simplicity and most of all the lower food prices.

Thanks to the benefits of self-service and franchising, Piggly Wiggly ballooned to nearly 1,300 stores by 1923. Piggly Wiggly sold \$100 million — worth \$1.3 billion today — in groceries, making it the third-biggest grocery retailer in the nation. The company's stock was even listed on the New York Stock Exchange, doubling from late 1922 to March 1923.

Saunders had his hands all over Piggly Wiggly. He was instrumental in the design and layout of his stores. He even invented the turnstile, Haley says.

Piggly Wiggly's success sparked imitators such as Handy Andy,

Saunders' Keys

- Changed the way people buy groceries.
- His Piggly Wiggly made self-service a standard.

Helpy Sely and Jitney Jungle.

Piggly Wiggly made Saunders a multimillionaire, and he had a mansion built in Memphis decades before Elvis' Graceland. Saunders dubbed it the Pink Palace for the pink granite used on the exterior. The 36,500-square-foot structure featured eight bedrooms, eight bathrooms, an indoor swimming pool and a bowling alley.

Sadly, Saunders never got a chance to sleep in the dwelling, as his world was soon turned upside down.

In the latter part of 1922, short sellers pounced on Piggly Wiggly stock. Hoping to teach them a lesson, Saunders borrowed money and bought nearly all of the available shares, cornering the stock. Cornering is illegal, so the shorts cried foul.

The New York Stock Exchange let them recoup losses from Saunders. Piggly Wiggly stock was soon delisted. Saunders sued the NYSE but lost. He was also kicked out of his Piggly Wiggly.

Piggly Wiggly hung in there. Today it has more than 600 independently owned stores in 17 states, mostly in the Southeast.

After settling some legal issues, Saunders returned to the grocery business in 1928, opening a store called Clarence Saunders Sole Owner of My Name — or Sole Owner Stores for short.

"A lot of people don't realize that in Sole Owner Stores, he once again innovated," Haley said. "It wasn't just once again a self-service store. He also added . . . the meat department, he added a deli department, he added a bakery. And so the Sole Owner Store created today's supermarkets. About the only thing that's missing is the seafood department and the pharmacy."

Sole Owner Stores were a hit, and Saunders borrowed money to expand locations throughout the nation. But the economic downturn of the 1930s ruined the chain. The last Sole Owner Store closed in 1933.

Back For More

In 1936, Saunders returned with a new twist on the grocery business: Keedoozle. The store worked off the vending-machine principle.

The idea behind Keedoozle was to reduce the number of employees. But Keedoozle didn't work out; mechanical problems sometimes destroyed the merchandise. Repairs were so costly, Saunders ended up selling the rights to the business.

Saunders died in 1953 while tinkering with plans for another automated store called Foodelectric.

BEST OF LEADERS & SUCCESS

King Gustavus II Galloped To The Fore For Sweden

Aim High: His vision kept his country on the cutting edge of strategy and technology as it fended off enemies in the 1600s

BY SCOTT S. SMITH
FOR INVESTOR'S BUSINESS DAILY

Gustavus Adolphus wasn't afraid of change. He knew it was necessary.

His father, Charles IX, had obtained the Swedish throne with the support of the nobility on condition that his son wouldn't be crowned until he was at least 18 and not have full powers until he was 24.

Still, Charles knew it was likely he'd die young of illness or battle wounds and that his son would probably become king at an early age.

So he made sure Gustavus (1594-1632) was trained rigorously. The youth studied with the best tutors his father could find and became fluent in six languages.

When his father died in 1611, Sweden was badly losing a war against Denmark. The king of Poland was

ready to invade Sweden to take the crown he felt was his. Charles had become involved in bloody intrigue to make another son the heir to the Russian throne. Sweden was surrounded by enemies that, combined, had 14 times its population.

But all Gustavus Adolphus' training paid off. He saved Sweden's independence, expanded the country and developed military strategies that earned him the title "the father of modern warfare."

Taking Over

Gustavus Adolphus (also called Gustavus II) knew that he had to unite his country to stave off attacks. He agreed to let the nobility have a strong say in government in exchange for receiving full authority as king in 1612.

By the end of his 21-year reign, he

Gustavus' Keys

- Saved Sweden's independence.
- "His speeches reveal him as a master of debate and an orator of extraordinary eloquence and force," said author Michael Roberts.

was more powerful and popular than any preceding Swedish king.

To preserve his country and throne, he turned to diplomacy. He brokered peace with Denmark. Then he signed a treaty with the new Romanov czar that gave Sweden all the territory between Russia and the Baltic Sea (delaying Russia's rise as a world power for a century).

That left him free to take preventive action against Polish designs.

Gustavus had studied the innovative military tactics of the Dutch and moved to improve them. From 1617 to 1625, he tested his new ideas, developing a reputation for brilliance as a general as he defeated Poland.

In 1628, he turned his attention to the war that had been raging for a decade between Catholic Austria and its Holy Roman Empire allies on the one hand, and German Protestant principalities and Bohemia (today the Czech and Slovak republics) on the other. The Protestants seemed on the verge of utter defeat and looked to Gustavus, a devout Lutheran they called the Lion of the North, to save them.

Gustavus didn't rely just on the tried and true in battle. He didn't follow the normal practice of having only the first row of soldiers fire muskets first, then the second row

and so on. He arranged his forces so three rows could fire at once, devastating the enemy line.

He had the pikemen — those who defended reloading musketeers if they were attacked — go on the offensive as soon as the enemy was weakened by fire.

He also made the first changes in cavalry tactics in hundreds of years, using cavalrymen as sword-wielding shock troops to sweep down on an enemy still trying to regroup after the heavy musket volleys.

In With The New

Gustavus was constantly looking for new technologies, so he brought along military scientists and engineers on his campaign.

They standardized guns and ammunition and created a three-pound cannon that could be reload-

ed faster than a musket and could be moved quickly.

Before making any changes, Gustavus ran new ideas and technology through rigorous tests. His approach gave him swift and decisive victories in 1631 and 1632 as he swept across Germany.

He was killed leading a cavalry charge at Luetzen, although his army was victorious, ensuring the survival of Protestantism and changing the course of European history.

Many Swedes look on Gustavus as their greatest king because of his domestic innovations. He reorganized everything from the judicial system to education. He attracted foreign investors to expand industries, and he founded towns.

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