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FROM THE RIGHT SIDE OF THE BRAIN—GREG ROHLER'S

# SMALL BIZ NOTES

*For Small Business Clients and Friends of Greg Rohler, Inc.*

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## On Branding & Customer Loyalty...

*"Mass advertising can help  
build brands, but authenticity is  
what makes them last. If people  
believe they share values with  
a company, they will stay loyal  
to the brand."*

HOWARD SCHULTZ, POUR YOUR HEART  
INTO IT: HOW STARBUCKS BUILT A  
COMPANY ONE CUP AT A TIME

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*Helping Small Business  
Take Financial Control*

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## Big Changes in Medicare Tax for 2013

As provided for in the Affordable Care Act, beginning January 1, wages \$200,000 and up will be subject to an additional Medicare tax. Employers will be required to withhold an additional 0.9% from employees for a total tax of 2.35% for wage amounts over \$200,000. As is often the case with tax law and Congress, the rules become more complex because the threshold is \$250,000 for married couples filing jointly. Couples who anticipate exceeding the joint threshold may need to consult their tax advisor to plan estimated tax payments or additional withholding to cover this new tax.

Another change under ACA makes investment income subject to the Medicare tax. The rate is an additional 3.8% and applies to investment income from rent, interest, annuities, royalties and dividends. The taxable amount is the smaller of either your total investment income or the amount of your adjusted gross income that exceeds \$200,000 (or \$250,000 for married filing jointly).

There is some good news for business owners—there is no employee match for this additional tax. [GR]

## How Do You Spell Assume?

The new employee stood before the paper shredder looking confused. "Need some help?" a secretary asked. "Yes," he replied. "How does this thing work?" "Simple," she said, taking the fat report from his hand and feeding it into the shredder. "Thanks, but where do the copies come out?"

## An Inside Look at Creating Customer Nirvana

I must confess that I am a sucker for a great customer experience. And when I see a small company with great marketing and an excellent product that's just knocking 'em dead—well that's just plain, good, clean fun. Recently, I had such an experience.

As some of you already know, I have what I call my profitable hobby—I do voice-overs for radio and TV commercials. There are several things I like about this hobby. One of them is that it gives me an inside look at some very clever marketing and well crafted ad campaigns as well as 'up close and personal' contact with

*(continued on page 2)*

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*“They expected to write 80% of their annual business with Indiana farmers during this 3 day event...”*

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### **An Inside Look at Creating Customer Nirvana** *(continued from page 1)*

the people who created them. Such is the case with a recent TV and radio campaign for an advertiser in the Agri-science space—Becks Hybrids. The campaign was called Suspects of Success and featured farmers in different situations selling the Becks message of outstanding collaboration with their customers.

As the Becks people and I began working together thru the course of the 3 month campaign, I began to realize that this company was exceptional. What impressed me about Becks? For one thing, they were being creative in a marketplace that is not ordinarily very innovative in its messaging. For another they have a great story to tell—one that is backed up by a long history of explosive growth. How much growth? At least 20% increase in sales each year since 1991—this represents a 50 fold increase in just 21 years—quite a feat for a family owned business that competes against multi-national, Agri-business behemoths.

Toward the end of the campaign, they invited me to their big, annual company event for their customer-farmers. I decided to accept. It was the perfect chance to get a firsthand look to see what was really under the hood. It turns out these events, called Field Shows, are a high stakes effort for Becks. They expected to write 80% of their annual business with Indiana farmers during this 3 day event at their central Indiana headquarters. Becks also hosts two smaller, one-day Field Shows in neighboring states with similar results.

This experience could easily have resulted in a 20 page case study. Because of space I'll narrow my comments to just three observations. These universal principles apply to any business:

- 1) **Masterful positioning**—Sonny Beck, president and grandson of the founder, knows his customer and understands how they think. His message was simple but powerful. “We are a family owned business and that frees us. It frees us from operating to satisfy shareholders and Wall Street investors who don't understand farming. We're free to focus all our attention and efforts on satisfying you—our farmer-customers—the real shareholders in our business and success.” He then went on to relate how the company is aggressively investing profits in technology and leadership, innovations that give their farmer-customers an edge. To underline Becks' commitment to the farmer and the hands-on way he operates the company, he stated, “We are one of you. We're farmers too.” As he continued laying out his plans for the next year, he was transforming the customer into a stakeholder in their progress as a company. At one point, I couldn't help thinking that Becks' feels more like a co-op that serves its customer-members than a for-profit company trying to woo them.
- 2) **Good, old fashioned salesmanship** —.From the platform Sonny Beck followed all the basics of good salesmanship that most of us know but forget to employ: he anticipated objections and answered them persuasively; he used customer testimonials as social proof that choosing Becks was a good decision; he backed it all up with a solid guarantee. Finally, he briefly mentioned incentive programs and a signing bonus for making a commitment at the Field Show so the company reps could answer questions from interested prospects after his presentation. The sales process was executed brilliantly and yet was friendly and nonthreatening.

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*“We are a family owned business and that frees us. It frees us from operating to satisfy shareholders and Wall Street investors who don't understand farming.”*

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- 3) **Bold action consistent with the message**—As Becks has grown they have re-invested profits in their customers in some unique ways. A new program gives the farmer a tractor to use for three years with a 3 year commitment for seed purchases at certain levels—an attractive incentive for most farmers considering the cost of a tractor can easily run into 6 figures. They also invest big \$\$ in practical farm research to help farmers struggling with spotty yields and other technical problems and then make it available at no charge thru individual consultations. Sonny Beck even dressed more like a farmer than an executive, completely consistent with his spoken message. At least 2 farmers told me over lunch that they liked the company because of the values they operate by and that they were the same values these farmers personally subscribe to.

I wish I had space to tell you about the warm hospitality of food and beverage Becks showed their guests that day, or the TV set they gave each farmer who signed up at the show in order to create good will and cement their customer's commitment, or the powerful unity and clarity of message I experienced from every single employee I met, or the fair-like atmosphere with many kid-friendly events specifically geared to educating in some way or to teaching safety to farm families, and on and on.

But I don't, so permit me to say this: the principles illustrated here can be applied by any business, not just those who sell to farmers. Taking an intense interest in our customers and their problems, the careful crafting of messages and delivering faithfully on those promises, are things we all can do.

To see the TV campaign I was part of go to [www.suspectofsuccess.com](http://www.suspectofsuccess.com). To check out their overall marketing visit [www.beckshybrids.com](http://www.beckshybrids.com). [GR]

### **Words of Wisdom Department**

*“Defeat is not the worst of failures. Not to have tried is the true failure.”*

GEORGE E. WOODBERRY  
1855-1930, WRITER & CRITIC

### **Inflation Update**

Last issue I told the story of how I discovered a simple method for anticipating inflation rates about 18 months in advance and my personal journey in this experience (see September issue, “My Moment as an Accidental Economist”). Using the same method discussed in that piece suggests that consumer price inflation for 2012 will finish at 4.3% and at 13.2% for calendar year 2013. Six weeks ago, when working on the September issue, I looked at the Bureau of Labor Statistics' web site and the rate of advance for consumer prices in the first 8 months of 2012 was only 2.1% (averaging roughly 0.25% per month). That seemed like quite a gap between the actual year-to-date BLS index at that time and the projection above for calendar year 2012. For the final CPI to end this year close to the projected rate, consumer prices would need to average about 0.5% of increase each month from September thru December, or about double the monthly rate for the first 8 months. It didn't seem likely.

We now have the benefit of another month of data. BLS reported in mid-October that the rate

of CPI increase for September was 0.6 % bringing the total year-to-date increase to about 2.6%. Will the rate of price inflation continue at this same elevated pace? At this point there is no way to know—only time will tell.

One significant change in the last 34 years since my original study—the method the government currently uses to calculate CPI weighs certain classes of goods and services differently. The method employed now places much less weight on food and energy costs—as the Wall Street Journal sometimes jokes, a measure of inflation for “anorexic pedestrians.”

In any case, should you or I, (or anyone for that matter) rely on the quick little projections mentioned above? It's difficult to say how accurate these projected rates of inflation will be in the end against the actual rates. What I do think we can rely on is the indication of much higher inflation in the next calendar year. [GR]