



The Lightning Flash

The quarterly newsletter from Lightning Labels, the leaders in digital label printing

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From the Desk of Peter Renton

One of the things I enjoy about this country is that people are happy to tell you if they like doing business with you. Every week we receive one or two unsolicited emails from customers telling us how delighted they are with their labels.



In Australia, which is where I am from, it just doesn't happen as much. My brother runs a successful business there and I was chatting with him the other day. He said he gets maybe one or two unsolicited testimonials every quarter.

We also know that many of you refer your friends and colleagues to us for labels. We believe that is one of the highest compliments you can give us, and we are very grateful for every referral we receive. Referrals are the lifeblood of many businesses, so in this issue of the Lightning Flash I explore the topic of referral marketing.

It is almost that time of year again. On behalf of everyone here at Lightning Labels, I wish you a safe and happy holiday season.

Cheers,

Peter
Peter Renton
Founder

Referral Marketing

It happens here almost every day. Someone calls up and says they heard about us from a friend or colleague and they want to find out more about our custom printed labels. These referrals are becoming a bigger and bigger part of our business – and so I have been doing some thinking lately about referral marketing.

Many businesses are built on referrals. Professionals such as lawyers, accountants, and realtors typically grow their business in this way. But there are also several high profile businesses that have grown their business primarily through referral marketing.

Fortune 500 Success Stories

Google has become one of the most successful companies in history without doing much advertising or marketing at all. This is a classic case of a company growing by referral marketing. Before they were in the news on a regular basis Google relied on referrals to grow their business. I first found out about Google in this way – a friend suggested I give them a try because he thought they were much better than Altavista & Yahoo – the two search leaders at the time. I, in turn, told several people and so it went. Google built up what was to become the most successful internet business ever by relying on the referrals of others.

Another successful company that has grown in a similar way but in a very different industry is Starbucks. Can you recall seeing an ad for Starbucks on TV? Starbucks spent just \$95 million on advertising last year; by com-

parison Coke spent \$2.5 billion. Starbucks has passionate customers. Before there was a Starbucks on almost every corner, before nearly everyone had tried their coffee, they grew their business through referrals. Their customers raved about the coffee and told their friends how good it was. So, even though it was very expensive people kept trying their coffee and loving it and telling more people. This is how Starbucks has grown to over 13,000 locations worldwide, which is about 25 times as large as its closest competitor, Gloria Jean's with around 500 locations.

The Three Key Ingredients

Both Google and Starbucks have grown their business very quickly without the use of much traditional advertising. There is a lot we can learn from two of the most successful companies in history. How did they do it? Well it is not the only factor but an important factor in their success was referral marketing. The way I see it there are three essential factors that have to be in place if you are going to generate a lot of referrals:

1. Exceed Expectations

In today's world consumers have high expectations, but in some ways this can work for you. If you can exceed these already high expectations then you can easily become memorable in the eye of your customer. Before Google came along, searching on the internet was a hit or miss endeavor. Suddenly with Google you would most likely find

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Referral Marketing

what you were looking for, they exceeded the expectations of their customers. You can exceed expectations with the quality of your product, with your customer service, or preferably both. Do that and you will very likely be able to build your business through referrals.

2. Consistently Execute Well

Starbucks is the king of execution. You can go into any one of their over 13,000 stores anywhere in the world and get the same *triple grande sugar free vanilla latte*. They have somewhere around 20,000 possible drink combinations, so you can get your coffee exactly the way you like it. You couldn't possibly have that many drink combinations across 13,000 stores without executing well. Starbucks executes well over and over again, so their customers develop a very strong brand loyalty, and they feel confident telling their friends about it.

3. Make it Easy to do Business

Even if you have consistently great customer service and a product that exceeds everyone's expectation you are not going to get many referrals if you don't make it easy to do business with you. If your online ordering process takes 15 minutes, or if when people phone your business they have to go through several levels of phone menus before speaking to a live person, it doesn't matter how great your product or service is. People are not going to want to subject their friends to that kind of frustration, and so there will be few referrals. Make it easy for your customers to do business with you and you will increase the number of referrals you receive.

The beautiful part of today's high tech world is that giving referrals is easier than ever. Just send a quick email with a link and you have given a referral. And it is almost as easy to refer 20 people as it is to refer one person, so today information (and referrals) can spread very rapidly. So the opportunity

is definitely there for any business to build their customer base through referral marketing.

A Referral Marketing Program

Ok, if you have mastered the three ingredients that will maximize your referrals what next? You can just sit back and wait for the referrals to come in or you can help the process along by creating a formal referral marketing program.

In my last company we encouraged people to give referrals by offering a free gift (to the person giving the referral) every time someone provided us with a referral. We generated a large number of referrals in this way, even though only a small percentage ever ordered. But the program still paid for itself which is the main thing.

One the best referral marketing programs I have heard of was created by a wedding photographer. When she shoots a wedding, she makes sure she takes photos of the cake, flowers, dresses, hair dos, and reception rooms. Then she visits the vendors involved with the wedding and presents them with a framed photograph (with her logo and web site displayed) showing off their services.

The Lightning Labels Referral Program

Here at Lightning Labels we have our own referral program. We have always tried to exceed your expectations with every label job, that is why we have invested in today's most advanced digital label printing presses. This gives you the highest quality digital printing in the industry and we strive to make our customer service the best in the business. Our Referral Program works like this: we pay a commission on all orders for the first 90 days after a new customer begins doing business with us. All the details are on our web site at: www.lightninglabels.com/referral.htm.

We appreciate the confidence you place in us by giving us referrals, and we want to reward you for referring customers to us. When you do so, just make sure that the person you are referring mentions your name – that way you can get credit for the business you generate. And from all of us at Lightning Labels, thank you for the referrals.

If you are serious about creating your own referral program here are a couple of resources that will help you. John Jantsch, one the nation's leading small business marketing experts, in his book *Duct Tape Marketing* devotes an entire 30 page chapter to creating a referral program. There are plenty of great examples (including the photographer one I mentioned here) and ideas for generating referrals.

Referral marketing is a subset of Word of Mouth marketing which is becoming a marketing discipline in its own right. If you want to get people talking about your company then I encourage you to read *Word of Mouth Marketing* by Andy Sernovitz. He is one of the leading authorities on this topic and this book is an easy and enjoyable read.

Speed Bump



Customer Focus

Gabrielle Melchionda
Mad Gab's Inc.
Westbrook, ME

When Gabrielle Melchionda was in college she started making lip balm as a hobby in her kitchen. Soon her lip balm became a campus favorite and she was selling it in some of the local stores. Mad



Gab's was officially born in 1991 when Gabrielle was a senior in college, and she continued making lip balm part time until 1996 when she decided to make it her full time focus.

Today, Mad Gab's still makes a lot of lip balm, it is over 50% of their business, but they have branched out into shea butter hand balms, body & massage oils and soy wax candles. They left Gab's kitchen long ago and are now located in an old historic

mill on the river in Westbrook, Maine, a small town just seven miles west of Portland. Everything is still made by hand by a "small band of hardworking Yankees" as Gab puts it.

As you can probably tell by the name, Mad Gab's has a lighthearted approach to business. Their products all feature fun and colorful labels and lately they have been expanding their line of lip balm with many new animal labels. You will find labels with bears, alligators, moose, seahorse, penguins, turtles, monkeys, elephants, and many more. They are targeting the tourist and resort world and one day Gab would love to see her lip balm in zoos, aquariums and tourist destinations across the country.

With labels being an integral part of her brand, label printing is very important to Gab. She used to use traditional label printers but the plate charges were killing her. She would have to buy a year's supply of labels to justify the high fixed costs of plates and that was eating into her cash flow. She realized that digital printing was the correct fit for her company.

Gab tried three other digital label printers before coming to Lightning Labels. But she was frustrated with "so many things that went wrong". There were problems with repeatability of color, sometimes the material

didn't perform as expected and there were delivery problems. When another vendor suggested Lightning Labels, she felt that she had nothing to lose. She was immediately impressed by the quality of the printing and the turnaround time was the best she had encountered.

Gab says that digital printing is essential to the success of her business because it allows her to order only the labels she needs. It also enables her to do some private labeling of her products, and she can combine these special orders in with her regular inventory to get the best price. She can also try some new ideas out and see how they work without breaking the bank.

Mad Gab's has a history of social responsibility – they have always been focused on creating natural products and maintaining sustainable business practices. When Gab found out about the environmentally friendly EarthFirst PLA material she switched over all of her labels to this material. Her green efforts as well as her fun products have allowed her to be highlighted in national magazines such as Entrepreneur, Vogue and Seventeen. In 2001 Mad Gab's won an Eagle Feather award for sustainability and socially responsible business practices; another example that companies can do well by doing good.

Lightning Labels News

LL Buys a Second WS4500 Label Press

In January, we upgraded our old WS2000 press on the state-of-the-art WS4500 digital label press from HP. Now we have two of them. In October we installed our second WS4500, becoming the first printer in the country to have two of them. The WS4500 is simply the fastest, highest quality and most productive digital label press available in the world today. With two of these presses this will allow us to continue to grow while at the same time maintaining the fast turnaround you expect.

Lightning Labels Makes Inc. 5000 List

Every year Inc. Magazine releases a list of the fastest growing private companies in the country, known as the Inc. 5000. In August they released this year's Inc. 5000 and Lightning Labels made the list coming in at #657. To achieve this ranking our four year growth rate was slightly more than 500% total. In the manufacturing category we came in at #15 and in label printing we came in at #2. This fast growth would not have been possible without the loyalty of people like you, our valued customers.

The TLMI Annual Label Awards

The Tag and Label Manufacturers Institute (TLMI) have held their annual label awards every year since 1978. The awards are for technical excellence in label printing and having just joined the Institute we thought we may as well put in an entry. We were delighted when we were awarded second place in the Digital Printing - Household Goods category. The label is one we did for Greenhouse Soy Company, and we actually featured this label in the previous issue of the Lightning Flash.

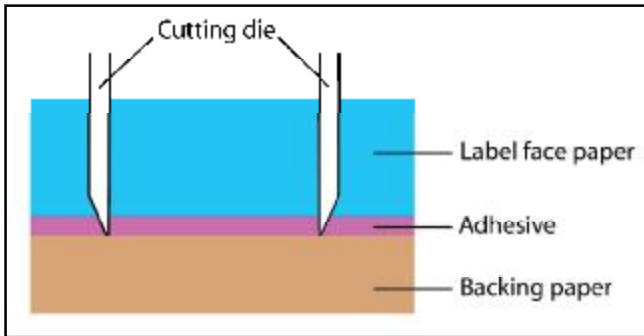


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Learning About Labels

How Does Die Cutting Work?



When you buy blank labels from an office supply store they are always die cut into shape. Then you print on these blank die-cut labels. In the world of professional label printing it works the other way around. We load a roll of blank label material into our digital label printer and we print on this material. Then we die cut the material into shape to create finished labels. Sounds easy, right?

Die cutting is actually a very complicated and intricate process where dozens of variables have to come together to produce a good looking finished label. Take a look at the above diagram. The cutting blade of the die has to cut through the label material with just enough strength to ensure a

clean cut, but not too much strength that is cuts into the backing paper. As you can see here, this requires a great deal of precision.

The other difficult part in die-cutting is precisely aligning the die. While we certainly strive for a perfectly die-cut label, we are dealing with a roll of material this is mov-

ing through a machine, so some tiny shifts can occur. The tolerance for our die-cutters are plus or minus 1/32". For most labels you will never notice this tiny movement, but if you have a very thin border it can become noticeable. Now, we work hard to keep this movement to an absolute minimum, but the reality of working with a mechanical machine is that we can't eliminate it.

So, next time you peel off a beautifully die-cut label take a second to appreciate the effort and precision that went into bringing you this label. While we love to talk about the brilliant quality of our digital label printing, it is the die-cutting that provides you with a label you can actually use.

A Touch of Humor

Two young engineers applied for a single position at a computer company. They both had the same qualifications. In order to determine which individual to hire, the applicants were asked to take a test by the department manager.

Upon completion of the test, both men had each missed only one question. The manager went to the first applicant and said, "thank you for your interest, but we've decided to give the job to the other applicant."

"And why would you be doing that? We both got nine questions correct," asked the rejected applicant.

"We have based our decision not on the correct answers, but on the question you missed," said the department manager.

"And just how would one incorrect answer be better than the other?" the rejected applicant inquired.

"Simple," said the department manager, "Your fellow applicant put down on question 5, 'I don't know.' You put down, 'Neither do I.'"

"Education is the ability to listen to almost anything without losing your temper or your self-confidence."

~ Robert Frost