

Better-Business Man

Guy Schoenecker

BI has gone from employee and customer incentives to global full-service marketing—without forgetting its roots.

“We look at compensation as an equity. If it’s unfair, people are unhappy. If it’s fair, that’s good. But that doesn’t really recognize them for doing something.”

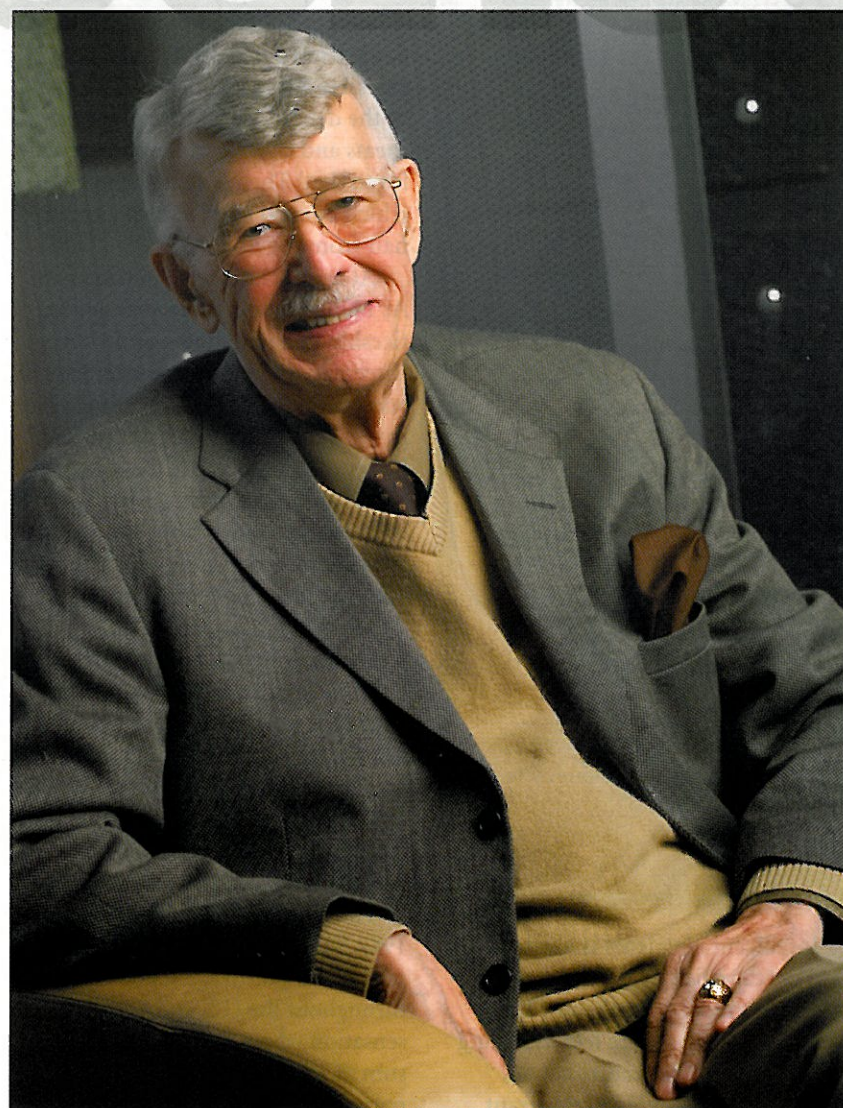
By Gene Rebeck

In a very real way, Guy Schoenecker learned nearly everything he needed to about business by growing up in Eden Valley, a small town about 70 miles west of the Twin Cities.

Schoenecker’s father operated a number of businesses there: a hardware store, a plumbing and heating contracting company, even a funeral home. “I learned business from him,” Schoenecker observes. One lesson: the profound importance of happy customers. “My dad used to say, ‘When we lose one customer because they were not satisfied, you may lose a whole family.’”

By satisfying his customers, Schoenecker has created a large family of businesses under the trade name BI (originally short for “Business Incentives,” later for “Business Improvement”). Headquartered in Edina in a six-building complex comprising 300,000 square feet, BI is a \$485 million company that ranks third nationally in the business-improvement industry, that is, the creation of customized incentive and marketing programs to improve employee performance and customer loyalty. (St. Louis-based Maritz and Minnetonka-based Carlson Companies rank number one and number two.) BI’s 1,000 employees are in Edina, Eden Valley, and 24 other offices nationwide and overseas.

Schoenecker grabbed his first opportunity while a student at the University of St. Thomas. In the late 1940s, the school was flooded with



veterans studying under the GI Bill. Many were planning to get married. Schoenecker’s father had a friend who bought and sold diamonds, and soon Schoenecker had his own engagement ring business.

After law school, Schoenecker opened a diamond shop in Minneapolis, as well as a couple of furniture stores. One customer was Ford Bell, a scion of General Mills’ founding family. Bell had struck out on his

TIMELINE

1927 Guy Schoenecker is born in Eden Valley.

1950 Incorporates Business Builders as a merchandise and jewelry discount store to serve the promotional needs of retailers.

1954 Changes company name to Business Incentives.

1960s BI adds business units, notably a travel division.

1970s Expands from customer and employee incentives into dealer and channel incentives, opening Midwest and East Coast offices.

1980s Adds services in market research, recognition programs, and event production, plus West Coast offices.

1990 Name is now BI, the Business Improvement Company.

1999 Earns the Malcolm Baldrige National Quality Award.

2000-01 A U.K. acquisition takes BI into Web-based marketing and overseas markets.

2004, 2008 Provides creative design, marketing services, and on-site production for the Rock the Vote tour.

2006 Agrees to purchase, over five years, The Mint Organization, with offices in Australia, Singapore, China, and Dubai.

own and started the Red Owl supermarket chain, but his new business wasn't taking off. Seeing something in Schoenecker, Bell asked the young man to evaluate the stores. Schoenecker's fundamental diagnosis: Red Owls simply weren't very friendly.

"You're right on," Bell said. "Now what are you going to do about it?" Schoenecker, though astonished, went to work.

"Fundamentally, I came back with the same ideas, without realizing it, that [my] company's based on today," he says. Among them: Employees need encouragement by being rewarded for their hard work and good service, "and those rewards can't be normal compensation. They have to be something extra and above so that

they can feel good about it."

Schoenecker helped put together a campaign for Red Owl employees, telling them what was expected. "Typical people things," he notes—say hello, smile, be outgoing and courteous. He also developed a reward system for employees who treated customers particularly well—"housewives" with shopping bags full of rewards to give out, like wristwatches.

The program was successful, and Schoenecker decided that creating incentive programs for retailers was more interesting than being a retailer himself. He closed his stores and started Business Builders, whose customer list would grow to include gas stations and banks.

Business Builders' early mix of incentive programs was aimed at both employees and customers, and included trading stamps and gift catalogs. There were also giveaways, such as the place settings of china offered to Red Owl customers whenever they purchased a certain amount of groceries. As Business Builders attracted large corporate clients, it added a travel department, because many of those clients noted that nice trips were more important to their salespeople than gifts were. "That's the way we've grown—our customers tell us what to do," Schoenecker says.

In 1954, he changed his company's name to Business Incentives (later shortened to BI) to better reflect its focus. Over the years—and particularly starting in the 1970s, as trading stamps began to lose their appeal—BI has continued to add divisions, some by acquisition, though most developed internally. Besides incentive services (and often as a part of them), the company now provides market research, group travel, employee training, and meeting services.

Seven years ago, BI went global. Schoenecker says, "Some of our customers, like General Motors, were saying, 'Can you do something for

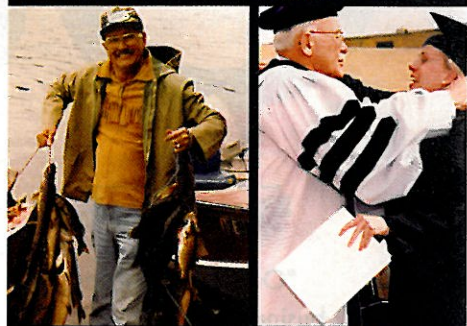
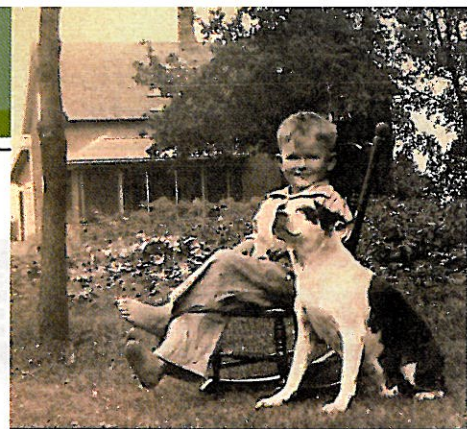
us, because we're worldwide? Can you do something for us overseas?'" That led to the 2001 purchase of the U.K.-based Marketing Organisation, a company with a business model similar to BI's that was renamed BI Worldwide. In 2006, BI Worldwide cast its net wider by acquiring an incentives agency called The Mint Organization, with offices in Australia, Singapore, China, and Dubai.

Among BI's other divisions is Digital Marketing, which provides over-the-Internet direct marketing services, including database management, data mining, and customer segment identification. For one customer, Hewlett-Packard, BI Digital Marketing created an online interactive board game designed for commercial printers to help demonstrate the advantages of H-P products.

About a decade ago, BI developed a division called Live Marketing, which collects data from potential customers when they're not inside a company's store or showroom. How, for instance, does a car dealer identify and reach a potential customer if that customer doesn't go to the dealership? One idea: Put a new car inside a mall or at a state fair, then collect contact information from the people who check it out to learn what they think.

In 2004 and 2008, BI Live Marketing assisted in the Rock the Vote concert campaign, interviewing concertgoers and capturing names, addresses, and other information for event sponsors.

Schoenecker, now 81, has come a long way from trading stamps and wristwatches—and certainly from selling diamonds to postwar college students. He has kept his company growing by adjusting nimbly to changes in customer demand. But for all the changes in technology and service offerings that BI has undergone, "the fundamental philosophy has not changed," Schoenecker says. There's still a lot of Eden Valley in BI.



Schoenecker learned lessons in customer satisfaction growing up in Eden Valley, where his father had several businesses. Guy began to apply them as a student cum entrepreneur at the University of St. Thomas. They brought him success at BI and the chance to enjoy it, whether traveling with his wife, Barb, or fishing Minnesota's lakes. Son Larry is president and COO at BI. At St. Thomas, titling by the Schoeneckers Foundation endows scholarships, and granddaughter Tara has earned bachelor's and law degrees.