

Is it time for some Innovation?



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1 Self Fulfilling Prophecy?

A MAN LIVED BY THE SIDE OF THE ROAD

He was hard of hearing, so he had no radio. He had trouble with his eyes so he had no newspaper.

But he sold good hot dogs. He put up a sign on the highway, telling how good they were. He stood by the side of the road and cried "Buy a hot dog, Mister".

And people bought. He increased his meat and bun orders and he bought a bigger stove to take care of his trade. He got his son home from college to help him. But then something happened.

His son said "Father, haven't you been listening to the radio? There's a big depression on. The international situation is terrible, and the domestic situation is even worse".

Whereupon his father thought, "well, my son has been to college. He listens to the radio and reads the papers so he ought to know".

So the father cut down on his bun order, took down his advertising signs, and no longer bothered to stand on the highway to sell hot dogs.

His hot dog sales fell almost overnight.

"You were right son," the father said to the boy. "We are certainly in the middle of a great depression."

Glen Hodgson, chief economist for the Conference Board of Canada, recently discussed the "psychology" of a recession in a report. He noted that in the later part of the last economic downturn, the word "Economic Downturn" has been used unsparingly in media reports as economic uncertainty mounted.

In an interview, Hodgson says **this kind of coverage causes consumers to react to a recession that has not yet happened, consequently increasing the chances of it occurring.**

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"People start to get worried", he says. "They start to change their behaviour. Their behaviour makes things worse. They get worried even further, and it goes on and on.

How much of this economic crisis we're in is real, and how much of it is in our heads? And can you really separate the two aspects?

Warren Thorngate, a professor of social psychology at Carleton University in Ottawa, says most people in his profession say **at least half of what happens in an economic downturn is psychologically based--and some would say it all is.**

Thorngate says what's happened on the stock market is an example of "group phenomenon", where people's reactions are largely based on what others around them are doing.

Even if the unemployment rate in Canada would move from its current level of 6%, those extra bodies without jobs represent less than 1,400,000 people out of a labour force of more than 23 million - or about 1 in 17. So even in tough economic times the chance of any given person losing their job is low.

The biggest challenge we face is our own ability to create a self-fulfilling prophecy.

This is called the Pygmalion effect.

The media has a tendency to sensationalize. I remember three days this month when CNN and other major news networks actually followed the movement on stocks on the NYSE on a minute by minute basis. Give me a break. Are they that thirst for news that we have to watch them watch paint dry? Isn't reporting the opening and closing of the stock exchange enough?

In the last twenty years, we've been through many economic challenges:

the 1998 Asian currency collapse
the 2000 dot.com meltdown
the 2001 global telecom restructuring
from 2001 to 2003, the impact of 911 and economic uncertainty
2007 to 2008 the march to \$100.00 oil and now sub-prime...

You will hear the words: cutback, save, fewer, less, and "because of the economy" more often than you want. That's part of what goes along with any economic change.

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For example, when you hear a statistic on the news that home sales are down 33% in the U.S., it still means that five million homes will be sold in the U.S. in 2009.

Over 2 million vehicles will be sold in Canada in 2020.

The unanswered question is: "Who will get the business that is out there?" There is plenty of business in the marketplace, but it could be more difficult to obtain, and as a result, businesses are adjusting to current market conditions, and we need to be cognizant of these adjustments in our own marketplaces.

The fact is that consumers and businesses are tightening their belts, **and you are going to have to work harder to fight for their expendable income.**

There are no magic marketing pills to cure what ails your company or to protect you in an economic downturn. Good products and services, delivered as promised - and smart marketing - are your only options.

The most memorable crucible in modern history is, of course the Great Depression.

During that era, several thousand firms made huge bets that changed their fortunes and those of the country. DuPont told one of its star scientists, Walter Carothers, to set aside basic research and pursue potentially profitable innovation. What he came up with was nylon, the first synthetic fabric, revolutionizing the way Americans parachuted, carpeted, and panty-hosed.

As IBM's rivals cut R&D, founder Thomas Watson built a new research center.

Douglas Aircraft debuted the DC-3, which within 4 years was carrying 90 percent of commercial airline passengers.

A slew of competing inventors created television.

The wonderful growth of the post-World War II period was due largely to the tremendous backlog of innovation developed in the late years of the Great Depression.

The benefit of a global money drought is that competition tends to vaporize.

And for some, the stress of tough times has an amazing way of concentrating the mind on the way forward.

Bill Hewlett of HP committed to building the pocket calculator - at the time, a supposedly impossible task - during the 1969-70 recession.

The 2001 dotcom-led downturn presented the perfect launching pad not just for risk-taking, fresh thinking startups like discount airline JetBlue, and blogging juggernaut Six Apart, but also for Apple's iPod-fueled resurgence.

Because the economy is going into an economic downturn doesn't mean it is your economic downturn. The dot-com bust of 2001 that triggered the last recession is a great example. While stocks plummeted and all manner of dot coms collapsed the internet continued to boom. In the period 2000 to 2004 Google went from processing around 150 million searches to 1 billion searches a day. eBay went from 1200 employees to 6300.

2 Creative Thinking

Some of the most innovative ideas have emerged during times of economic duress. For example, 3M Scotch Tape, Miracle Whip salad dressing, fluorescent light bulb, Hewlett-Packard, McDonalds, Microsoft, the Web, the iPod, and the RIM Blackberry.

"Surviving an economic downturn **involves immense doses of creativity**" says Ade Tugbiyele Seditqa, partner and co-owner of Newark Art Supply

Cost cutting impacts customer satisfaction and demand, which in turn impact top-line revenue, creating the need for yet further cost-cutting.

The successful leader is constantly building advantages into the organizations at a much greater rate while they are eliminating disadvantages.

The belief is that you not only have to be better than your competition but you must differentiate yourself. **This means taking advantage of opportunity presented by the economic downturn itself.**

This concept demands creativity and innovation. However this creativity and innovation must be built into the economic contingency plan. It must be distinctive, and yet it must be manageable and predictable.

This could involve anything from new technologies to market segmentation to development of new channels of taking advantage of the competition's weaknesses that may be accelerated due to the declining economy.

Its all about improvement and finding newer and better ways of doing things.

It involves cross-activity integration of processes and people. Activities must be linked across the entire value chain

Growth comes from innovation. A lot of senior leaders are focused on innovating within the business in terms of structure, skills access, ability to respond to rapid market change, spot new opportunities, and move on them quickly.

Try reframing an issue in several different ways in order to prompt different answers, and embrace answering inherently ambiguous questions in several different ways.

One of the best ways to escape the constraints of your own logical mind is to think metaphorically. One of the reasons why metaphors work so well in communications is that we accept them as true without thinking about it. When you realize that "truth" is often symbolic, you'll often find that you are actually free to come up with alternatives.

One way to view creative thinking is to look at it as a destructive force. You're tearing away the often arbitrary rules that others have set for you, and asking either "why" or "why not" whenever confronted with the way "everyone" does things.

Don't allow "the editor" into the same room with the "inner artist". Try not to evaluate the actual feasibility of an approach until you've allowed it to exist on its own for a bit. Spend time asking "what if" as often as possible, and simply allow your imagination to go where it wants. You might just find yourself discovering a crazy idea that's so insanely practical that no one's thought of it before.

Allowing your mind to be at play is perhaps the most effective way to stimulate creative thinking. You've heard the expression "work hard and play hard." All you have to realize is that they're the same thing to a creative thinker.

Sure, you've got to know the specialized stuff in your field, but it's **those who happily explore completely unrelated areas of life and knowledge, you'll run circles around the technical master in the success department.**

If you can mentally accept that it's actually nothing more than groupthink that helps a society function, you can then give yourself permission to turn everything that's accepted upside down and shake out the illusions.

Leaders from Egyptian pharaohs to Chinese emperors and European royalty have consulted with fools, or court jesters, when faced with tough problems. The persona of the fool allowed the truth to be told, without the usual ramifications that might come with speaking blasphemy or challenging ingrained social conventions. Give yourself permission to be a fool and see things for what they really are.

Ambiguity is your friend if you're looking to innovate. The fact that most people are uncomfortable exploring uncertainty gives you an advantage, as long as you can embrace ambiguity rather than run from it.

The best thing we do is learn from our mistakes, but we have to free ourselves to make mistakes in the first place. Just try out your ideas and see what happens, take what you learn, and try something else. Ask yourself, what's the worst that can happen if I'm wrong? You'll find the benefits of being wrong greatly outweigh the ramifications.

We're all limitlessly creative, but only to the extent that we realize that we create our own limits with the way we think. Acknowledge that you're inherently creative, and then start tearing down the other barriers you've allowed to be created in your own mind.

Cirque du Soleil started in 1984 with 73 employees and one show. Today, Cirque du Soleil has revenues in excess of \$616 million dollars with 4000 employees. This entertainment company produces more than 15 unique shows, with 6 resident shows in Las Vegas that attract more than 10,000 people a night. In less than 20 years Cirque du Soleil achieved a level of revenues that took Ringling Brothers and Barnum & Bailey - the global champion of the circus industry - more than one hundred years to attain. Eighty million people worldwide have experienced a Cirque show.

What makes this rapid growth all the more remarkable is that it was not achieved in an attractive industry but rather in a declining industry in which traditional strategic analysis pointed to limited potential for growth.

Cirque du Soleil did not win by taking customers from the already shrinking circus industry, which historically catered to children.

Cirque du Soleil did not compete with Ringling Brothers and Barnum and Bailey, Instead it **created uncontested new market space that made the competition irrelevant.**

While the circus industry focused on featuring high cost stars, Cirque du Soleil features non star studded entertainers from over 40 countries.

Is there a place for this kind of creative thinking in today's economic environment?

If managers had lived during the era of the famous California gold rush should they have chosen to follow the masses in search of elusive gold? Or, would it have been easier and smarter to set up a roadside stand and sell tin pans?

The idea sounds completely counterintuitive, but often **those who think against the crowd and buck the trend emerge much more successful and prosperous.**

But, while a small percentage of prospectors actually struck it rich, 100 percent of them bought at least one pan in order to help them sift through mud in search of the precious metal.

Those who applied the tools of the trade , in other words, made plenty of money because they did not have to worry about creating the market for their product. They simply and cleverly identified a niche and filled it. By doing so they fulfilled their entrepreneur dreams as customers sought them out and then flocked to them in droves.

"Well you're not going to save your way to greatness." But you can innovate your way there. - Bernard Meyerson, vice president and CTO of IBM's systems and technology group.

3 What are the options?

How do you tackle economic uncertainty in your business?

Cut advertising, travel, training, marketing, and discretionary expense line items?
Cut purchasing? Ouch!

The pipeline starts to dry up and the anxiety level goes through the roof. **Many people think that since there's nothing they can do, they should just do nothing. But "nothing" is futile thinking.**

Cutting costs can be disastrous to your business. If you start cutting too deeply, you're likely to cut into things that are vital to your survival: the quality of your product or service, the quality of any employees you have, or your marketing and sales.

Cutting across the board strengthens hidden weaknesses while weakening strengths.

Researchers at Oregon State University and Western Oregon University analyzed associations between company earnings and advertising expenditures during the five recessions that have occurred since 1971.

Their study found that advertising contributed up to three years of increased earnings for companies that continued to promote their brands during recessions, with the greatest impact coming in the first year following the recession.

Drastic cuts for example do not send the right message to consumers, nor do they help fortify the brand for long-term growth.

One study found that "companies that lower the prices of their products during the recession may risk damaging long term brand perceptions because **suspicious consumers assume something is wrong** with the product or brand if it is being discounted." Moreover, 70% of consumers polled said such tactics lead them to believe "the brand is normally overpriced."

The problem is, lowering prices destroys the perceived value of your product. It turns you into a commodity. That's the kiss of death in good times, and its even worse when the economy is slow.

Value is everything. Don't do anything that undermines the perception of value.

Cutting expenses in your marketing or sales is like cutting your aortic valve. If your business wasn't about to die, this move will guarantee that it does. Fast

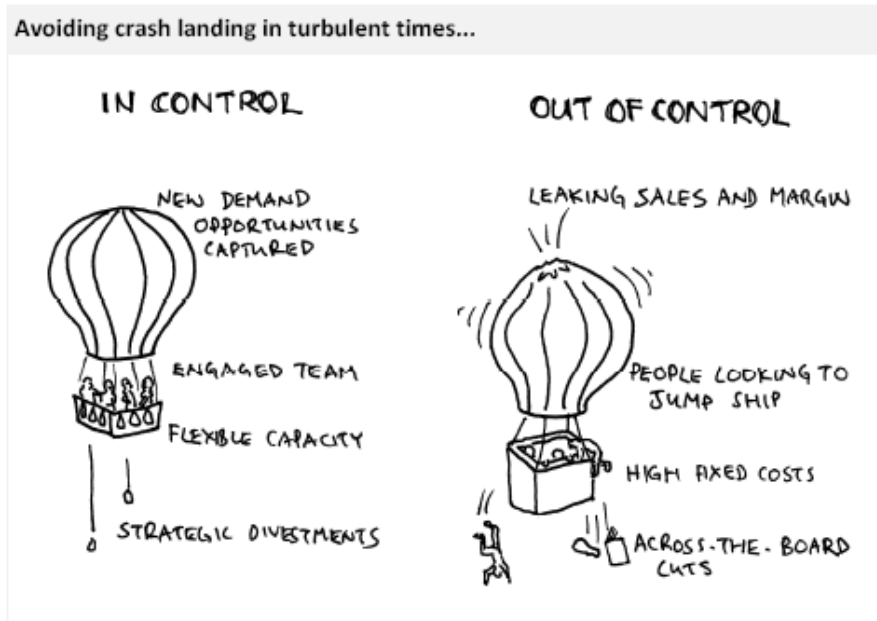
Your business cannot survive without a steady stream of new customers. And you get those customers by marketing. You make money through sales.

Right now, you should be putting everything you have into **making sure your marketing program is on overdrive** -- and that the messages you're putting out are as persuasive and effective as they can possibly be.

People will spend money during a recession, but the threshold for persuading them to do it is higher.

But whatever we choose to call it, how your business handles this or any economic hiccup will determine whether you run with the big dogs - or stay on the porch and howl.

You have two options: hole up in a bunker and hope it ends before you run out of tinned peas or innovate and emerge stronger than when the economy took the hit.



While companies can get by to some extent ignoring the external world during the good times because everyone is doing better, **a crisis is a brutal lesson in "waking up and smelling the coffee"**.

Everyone needs to take stock of how the world has and is likely to change to make sure they are positioned for the next growth cycle.

At times like these many companies prefer to move into a survival strategy to ride out the storm. Survival strategy, while conservative, has one underlying problem. In today's hyper-connected economy things can unravel quickly and **when your business is not growing and improving it is falling behind and headed for extinction.**

There are some companies who will just "hunker down", and hope for the best. This will work **providing that nothing is about to change in their external environment:**

- Customers purchasing habits will remain the same
- The company's financial institutions will not introduce stiffer guidelines for borrowing
- Competitors will not try to gain market share
- Competitors will not lower prices
- Employee morale will not decline
- Suppliers will not tighten credit terms
- No new competitors will arrive on the scene
- No substitute products or services will arrive on the scene
- Business costs will remain the same or decline.

Some companies will cut costs across the board, with categories such as marketing and sales being the first to hit the chopping block. This should certainly generate short term cash flow, however at the possible loss of marketshare, and at the possibly delay of new product and/or service introductions.

Some companies will re-allocate certain budget items and invest in those areas that will help the business grow even during an economic downturn.

Other companies will have a strong enough strategic plan in place that they have lots of cash reserves to take them through an economic slowdown.

Some companies recognize that it is time to re-assess their current situation, and to revise plans to manage cash flow and to take advantage of possible opportunities as they arise.

Notwithstanding the fact that you can only know if you've been in a recession through hindsight, it is clear that credit markets are spooked (and businesses thrive on credit,) and that any rational business owner needs to take steps to protect his business, himself, his employees, and his customers.

4 Let's Look at our Current Situation

It's healthy for a company to step away from its business and conduct a strategic, situational analysis. How often do organizations collectively assess their business brand in unison?

Furthermore, do they take time to understand the current and future landscape of the industries they serve? Finally, do they take this information and plot a trajectory to ensure the vitality of their core business?

4.1 Strategy

What "slack" resources are available, i.e., under-utilized workers, cash reserves, spare production capacity that may be available for re-deployment?

Who are your most profitable customers? Who are your least profitable customers? Why?

What are your most and least profitable markets, and why?

Which of your products and services are the most profitable, which are the least profitable?

Who are your most and least profitable employees?
What cost can we drive out of the business?

How can we improve our gross margin?

Have you considered the key questions you'll have to answer in the next planning cycle and begun to put the necessary testing and experiments in place to answer them?

Systematically analyzing this: You have lost 30% of your business; exactly how did this happen (the steps in sequence)? How did you manage through this period? Is this likely to happen in 2020, 2021? Why? Be sure to focus on opportunities!! You have some.

Any downturn in an industry tends to accelerate changes already taking place, as weak players drop out and strong ones struggle to stay ahead of the curve. In the present situation one can see that:

Customers, under increased economic pressure themselves, are accelerating their search for better value propositions. Spending does not decrease but migrates to new solutions. In turn, once customers have tried new solutions they often continue with them in the upturn.

Outmoded business designs are losing value faster as fundamental weaknesses are brutally exposed. Such business designs get to the point where the financial requirements to sustain them become overwhelming, creating space for newer, better business designs.

Restructuring and consolidation of entire industries is likely to accelerate as the weak either go to the wall or get swallowed up by stronger competitors.

Hunkering down may be necessary for short-term survival. But it has two important drawbacks:

It can delay the inevitable, as some industries clearly will have to modify their business designs to cope with the new environment and achieve profitability.

The pre 911 business design of the airline industry, for example, is irrevocably broken. Even if traffic volumes should return to normal, enough new burdens have been added to the cost structure and operating process, due to increased security and changed travel patterns that the airlines will have to significantly alter their business designs to remain competitive over the long term.

It can also cause one to miss long-term strategic opportunities arising from increased uncertainty and acceleration of fundamental industry changes.

Companies that are proactive externally, as well as reactive internally are much more likely to come out of the current situation in an improved competitive position.

What should my roadmap be for the next few years?

What are my goals and how do I get there?

What is shareholder value likely to be under my different options?

What will my strategic positions be if I succeed, and what will it be if i do nothing?

4.2 Management

The inevitable reaction of management to the worsening situation has been to "hunker down" and focus on survival through traditional means of preserving liquidity, e.g. laying off staff and disposing of unneeded assets; postponing capital expenditures and reducing working capital; and trimming the service offering.

Check yourself. Why are you doing what you do? Think about your objectives, where they started, and regularly check that you are on the path to meeting them.

Review your current objectives, with the view of keeping open to new opportunities.

Don't think that you will always do what you do now.

The real opportunities are outside of your comfort zone - what could be around the corner?

Don't get stuck doing the same old, same old. Review and plan, over and again.

Does Management have the skills necessary to bring the business where it needs to go?

Is Management running in a "react" mode most of the time, running from crisis to crisis?

Is there consensus amongst the management team as to what the focus should be?

Has the management team lost its nerve?

What condition are the internal dynamics of the company in?

4.3 Your Industry

Late payments can be a major indicator of a slowdown in your industry. They could slow down from a norm of 30 to 60 days to over 90 days.

Managers need to be aware of what is happening in their industry as a whole. **Companies that respond more quickly than their competitors to the changing environment and aggressively take on new opportunities can create strategic advantages for their businesses that will pay off over the much longer term.**

4.4 Marketing

How effective are your marketing efforts?

What returns are they generating?

Contact your industry trade association for data. They should be able to tell you about trends, and whether your market segment is up or down this year. If your trade association tells you that your market segment is down overall, ask them what other businesses like yours are doing to survive and turn things around. Focus on the strong players. Hook your star to another potentially successful firm, rather than trying to go it alone.

Where is your product or service in their life cycle?

How strong is your value proposition, channel power, response efficiency?

Is your message clear, relevant, and distinctive in a defensible way?

Is your message strategy resonant and relevant?

Consider banding together. For example share the costs of a nationwide marketing campaign with similar businesses from other regions.

Find a peer in another locale that has had success with cold calling, internet marketing, or targeted advertising. Ask if they'd like to expand their marketing campaign, in return you'll pay them a percentage for any business generated in your area. Less work for them, and more money for you.

Marketers could gain greater insight into the attributes/behaviour relationship by **observing how people actually behave** versus what people say they do (as in surveys)

As economies become tighter and revenue streams shrink, marketing executives must strategically assess their opportunities to profitably win their share of that smaller revenue pie.

If you can't make a smart strategic case for how your spending is going to add value to the company, you won't convince CEO's and CFO's to fund marketing budgets when revenues are down.

You need to have some expectation for how and when your marketing will generate a positive return on investment (ROI) for the company.

Take a new look at existing marketing programs to find new ways to create leverage and customer preference.

Do your existing customers know everything you can do for them?

What are you really selling, and what are your customers really buying from you?

Go deep and understand the true benefits your customer is buying from you

Understand your customer's core desires and factor them in to your marketing efforts.

How are you currently differentiating yourself in your marketplace?

How do your customers perceive your company?

Find the hungry crowd and find out what they are buying. Let your competitors have the low profit margin business, while you take the highly profitable projects for yourself.

How is customer behaviour migrating?

What value propositions are they turning to and why?

How much of the change is permanent?

How will this impact the value proposition we should be providing, and how should we change to meet new requirements?

How are my competitors positioned for change?

Which will suffer more than I will?

How can I exploit their position?

Which are candidates for consolidation?

How can I make a move that they will be unable to respond to?

Understand the value you provide your customer.

Why does the customer want your stuff?

Why do they fork over their hard earned money?

If you package your product with services, what is the value of each?

4.5 Pricing

- Review discount policies and sign-off limits to make sure they reflect what's been happening with your customers and the marketplace.

4.6 Website

The downturn is likely to only hasten the decline of independent "dot.com" offerings, too many of which are clearly based on unsustainable business designs. Internet-based incumbent and/or industry solutions on the other hand may prosper - particularly very focused efforts that take advantage of technology to reduce manually intensive processes.

For example, Canadian National Railway developed a new "e-billing" system which provides web-based invoicing and payment. Within nine months of its launch, more than a third of CN's customers had migrated to the system, representing \$1.5 billion in business.

4.7 Sales

Have you sufficiently reinforced your relationships with profitable customers?

Is your research effectively capturing their evolving wants, needs, and value-calculus?

Have you, your products and your services maintained their reputation and relevance?

Are there any new influencers, and any new internal directives?

How has your customer base changed?

Are they much more reluctant to spend?

Are they being marketed much more aggressively by your competitors?

What impact has the impact had on your customer behaviours?

Are there ways to position your product or service to deliver more value for the price?

How do you plan to keep your good customers?

Is your customer base being tempted by new and compelling offers?

Are your customers also taking a hard look at their expenditure profile, which may result in eliminating consumption of a particular product or service; reducing consumption; or continuing to consume at the same level but with a lower-priced product or service?

How strong are your relationships with your customers?

Ask your customers what impact the lagging economy is having on their business.

Your only purpose for the call is to ask how you can help.

Clients are keen now to learn how you can help them and find out how their peers are coping.

How profitable are current customers?

How switchable are prospective customers?

How sensitive is your market to changes in pricing by you or competitors?

How well do you understand your customers?

Do you feel what your customers are feeling, think how they are thinking, and experience what they are experiencing?

Does your entire organization harness the power of customer insights, to produce a powerful ongoing interactive connection with key customer constituents?

4.8 Customer Service

How is it perceived by your customers?

4.9 Your Core Strengths

What are the values that you wish to communicate to your customer base?

Do you have the necessary skills, experience, and resources to reinforce your value proposition?

4.10 Operational

Evaluating one element against another is important to understand three things: your current position, controllable and uncontrollable variables, and plausible trajectories your organization may consider.

What business designs are failing?

What space does this open up for me?

What business designs are doing well?

Is your business organized to take advantage of new opportunities? Is it in need of changing some organization and administration practices/

How should I adapt my business design (or develop a new design)?

How do I adjust my organization's culture and behaviour to accommodate the higher level of uncertainty?

Can I do more contingency planning?

Since some threats and opportunities will be unexpected, how can I be more nimble, i.e., make and implement decisions more quickly?

What elements of cost should be considered in sourcing, make/buy, and supplier development decisions?

What is the overall impact of a supply decision on the company?

Total cost of ownership measures the financial impact of a sourcing decision considering all aspects of cost from the point of decision through all activities leading up to internal use of the material or service purchased.

These costs could be categorized as : Supplier price and terms, delivery costs, operations and quality costs, and other costs.

There is a growing need for advanced cost procurement capabilities.

4.11 Human Resources

How many and what kind of people do you really need?

Review the position descriptions for each role; question the tasks and the key recruiting criteria to make sure that the role is absolutely necessary.

Are you acquiring the best and brightest staff?

Do you have weak staffing areas?

4.12 Financial

What are your cost cutting objectives?

- Achieve short term budget reduction goals
- Identify expected short-term negative impacts
- Minimize long-term negative impacts
- Gain credibility for thorough, objective analysis
- Establish groundwork for subsequent budget discussions

Are there areas where more spending may be required to maintain competitiveness?

Are there areas that should NOT be cut regardless?

- Market research
- Brand value proposition
- Copy development
- Knowledge capture
- Experimentation
- Measurement

What is your competitor's spending effectiveness?

Difficulties will come up; American Express is now asking their larger merchant users to provide "Reviewed" or "Audited" financial statements. You may find yourself facing a very expensive audit or review in order to keep your ability to accept customers' credit cards. You may want to contact your CPA or accounting professional about this one.

Unlike economic recessions of the past, "company balance sheets are deteriorating at a speed never seen before".

The problem is that many companies now needing financing simply have no place to get it. Not only have credit markets dried up, but years of easy borrowing have left companies with little remaining unpledged collateral.

That means companies trying to navigate the current environment must look for liquidity within their own operations. Rather than focusing on growth or profits, companies need to find ways of unlocking cash already tied up in their businesses.

Companies can start by reducing inventory, stretching out payables, and stepping up the collection of receivables.

When they do manage to free up cash, companies need to resist the impulse to hoard it.

Companies need to de-leverage. Using excess cash to buy back debt delivers a clear message to the markets that a company remains strong.

Cash is King - liquidate some assets and get rid of dead stock. Start keeping some money aside in case the economy does indeed get worse. Invest in defensive stocks that have been known to hold their value in a recession.

Good records--Keep your business records up to date so that you always know how you are faring. The more robust your records are the easier it will be to move faster in the case of a down turn.

Speak to your lenders--this is the right time to keep communication lines open with the banks. The credit crunch is hitting them hard so it might also be a good idea to open talks with another lender just in case your bank pulls the plug.

Examine your loans--in a recession interest rates tend to fall as the government tries harder to stimulate the economy. This is the ideal time to collate all your loans and possibly switch to longer payment terms and/or fixed rate loans.

Negotiate harder with your suppliers--ask for longer payment terms and demand quicker delivery times so that you do not need to have so much money tied up in stock.

Improve your credit control--cash flow is king in a recession so meet all your customers especially the ones that tend to pay late. Send regular reminders and statements followed by a phone call the minute an invoice is overdue.

Insure your debt--in a recession more of your customers are likely to fail.

65% of senior bank loan officers reported that they recently tightened standards for small businesses seeking loans during the second quarter of 2020.

Is there a cost reduction approach that is aligned with the firm's overall strategy?

By removing costs associated with obvious waste, are the underlying drivers behind this waste still intact? Are expenses simply moved around or deferred rather than eliminated?

Does the company's culture reinforce continuous identification and elimination of wasteful expenditure?

Are your lending institution's security requirements for loans becoming much greater?

Is your lending institution's funding against property fallen to loan value levels of 60 to 65% and valuations on plant and machinery also reduced, resulting in lower residual values?

Do you have any loans that are due for renewal?

Do you have any assets that have diminished in value in the eyes of lending institutions?

Is credit available from the usual sources at a higher price?

5 Ideas for Company Strategies

But I do believe that we can get ourselves out of this mess by basically **stepping on the gas pedal of innovation** and doubling down on our respective career and business growth strategies.

And not doing anything or retreating from our strategies because we "fear" it could get worse would be disastrous for each of us individually, the businesses we manage and the economy collectively.

Create new uses for your products and services. **Why not a new business model?**

The keys to helping your business survive but also thrive during a reversionary time, are planning and skill development.

You must focus on the 4 main aspects of your business: marketing, sales, service, and management.

Do you have a strategic plan in place for your business for the next 1 to 3 years?

The process of developing the plan is even more important than the final plan that you produce.

The formality of developing this plan, with other professionals, forces you to think about all aspects of your business - in detail.

What business are you in? Redefine and reinvent yourself.

Is Starbuck's in the coffee business or the people business? Build new alliances and consider alternate distribution channels. Don't go solo.

Assemble a group of advisors and get their input and creative ideas. With so many people self-employed, the corporate water cooler has gone away. We need to bring it back by talking to people, participating in Mastermind groups, and sharing ideas.

If you are like most people, you are content with the status quo until something disturbs it. **You should constantly be re-evaluating** not just your marketing plan, **but all of your business strategies** including policies, pricing and employee performance. The idea is to eventually be as efficient and effective as possible so your company runs smoothly and profitably.

Look closely at your competitors. Talk to contractors you respect. Read business management books. Experiment. Solicit feedback from your workers and customers.

No. 1 universal law to surviving economic downturn times is **adjusting your business to the economy.**

Nothing will damage your business more than business myopia or short sightedness. In order to stay successful, you must always keep an eye on your long term goals and objectives.

You will hit rough spots, but do not get bogged down in the present. Do not make this mistake. Instead keep your eyes on your target. Stay focused. Every decision, every cutback, every improvement you make now must be beneficial not only in the present but more importantly in the future.

Think about this before you slash prices, fire employees, cut overhead, or lower your standards.

In a weak economy, diversification may be your businesses' best friend. The **more products and/or services you can offer, the more clients you will be able to find**. Look at the skill sets of your employees, and the needs of your community. Find a niche, develop some new skills, and provide new services that will keep your company alive during the economic downturn.

During bad times as well as good times there are always needs. No matter what service you offer, with a little innovative thinking, you should be able to develop several "new" offers. All of which will keep you ahead while your niche-focused competitors bite the dust.

Be prepared to re-invent yourself and your business. Recession creates different needs. Some items that customers bought without thinking about it, may change to the "luxury" category with the tightening caused by the cost of food and fuel. New opportunities may present themselves, so be prepared to take advantage.

Ask others in your own line of business what they are feeling about your particular market. Believe it or not, people do like to help. Ask for advice, people are willing to give it.

During an economic downturn, **people tend to want value for every dollar** they tend to spend. This value could translate into:

Wanting more information - people have to convince themselves that this is a wise decision, and that they are getting good value for their money.

Wanting to have more confidence - buyers remorse feels bad enough in good times. Combine it with the fear that it may mean doing without later, and it really hurts. People want to make doubly sure that they aren't going to wake up in the morning with the "oh, No's.

Wanting more security. People cannot afford to be taken for a ride, so they are going to want more of a relationship with the person they are buying from.

Starwood Hotels anticipated developments and repositioned its business model, and now holds a leading hotel pipeline of growth potential (20% higher than its closest competitor)

There is a lot to be positive about. your **This is not the time to sit idly by and hope that business growth will take care of itself**. It is time to demonstrate to yourself, to your team and to your clients that you are living either your vision or someone else's.

Don't believe the vision you're seeing on the news. Reconnect with your own.

Where to get inspired

Edward Lowe Foundation - edwardlowe.org: The Edward Lowe Foundation helps second - stage companies grow to the next level with retreats and roundtable sessions, and also provides articles and briefs on myriad business topics.

SBA online courses - sba.gov/services/training/newcourses/index.html: These free online courses produced by the SBA will help you stay informed and competitive. The courses range from the SBA's Guaranty Programs to business plans and marketing.

SCORE Small Business Success Podcast Series are an excellent place to start. Many deal specifically with the economy, such as 'Planning in an Economic Downturn'

Survival - Preserve Capital by:

- "Must have" product
- Established revenue model
- Understanding of market uptake
- Customers' ability to pay
- Assessment vs. competitors
- Cash is king
- Need for profitability

In times of great duress, tumult, and uncertainty, you have to have moorings. Companies like P&G, GE, J&J, and IBM had an incredible fabric of values, of underlying ideals or principles that explained why it was important that they existed.

One of the things that was very distinctive about P&G for example, was that they said a customer will always be able to depend on the fact that a product is what we say it is - we will always build our reputation on quality. When they were under pressure to start cutting corners or use cheaper ingredients, they just didn't do that.

What really matters is that you actually have "core values"

-- not "what" they are. The more challenged you are the more you have to have your values. You need to preserve them consistently over time.



During the last economic downturn, nearly 40% of leading U.S. companies slipped out of the top performing quartile in their sector.

These were often companies that had experienced strong market driven growth, **but a combination of management complacency, lack of preparation for changing conditions, denial of the first signs of downturn, and applying the wrong levers led to their demise** (see figure above).

At the same time, 15% of companies rose into the top quartile of their sector.

Most companies market share growth happens going into a recession or coming out of a recession, not at the top or the bottom of an economic cycle.

Those who react to cycle changes first will gain share over those who don't.

Take action. Stressing about the economy is a waste of time Action is the key word in managing a slowing buyer market.

Those who wait --think too much about their current situation, stress more and get stuck in a canyon of non-activity.

Think growth. It's all too easy right now to lose your enthusiasm and sense of purpose. When economies contract, so does your motivation. Don't let that happen--now is the worst time to lose sight of the future!

Check your speed. It's the high velocity economy. Markets, brands, products industries, competition, and globalization are changing faster than ever before. Make sure you've got a team that can operate at the pace of change. Agility is the key word.

Immerse in ideas. The global idea-cycle is collapsing. New ideas are launched, analyzed, and developed to concrete product at a speed that is astonishing. Rapid product change is the new norm. In one organization, that is involved in a rapidly emerging, multi-billion dollar market that will appear, go super-nova, and disappear, over the course of about 18-24 months, before it is superseded by the next generation of product. This is fast, and that's the new reality.

Check your bench strength. After the cutting begins, value goes out the door. Yet your ability to access ever more scarce, specialized skills will define your future success. It's your ability to establish a fast, agile, quick-to-response collaborative team that will define your ability to grab all the opportunity that is emerging out there.

Assess your threats. Where could emerging technologies, fast science, radical business models, new industry dynamics, new regulatory macroeconomic, political or social trends impact your bottom line in a way that you hadn't thought of before? Two years ago, China and quality wasn't an issue.

Invest in experience. Experiential capital-- the depth of capability that you have from exploring, taking risks, trying things out--is the financial capital. It's a precious resource, and might be in short supply if you weren't working to build it up.

Set the tone. If you let the current economic headlines drive your corporate spirit, you're sunk. You have to keep people focused on the future--otherwise, your team will smell your fear. Leadership is all about keeping your team focused on opportunity and goals, not on ongoing and regular ("new normal") volatility.

It continues to amaze me how many small business owners have little knowledge of their financial situation. Few have budgets and financial projections based on quantifiable historical data from their business operations. Many have significant debt service without a plan to manage it.

In times of economic uncertainty having financial fitness must be a priority.

There are eight essential areas every business must master in order to ensure success.

Those areas include:

- Strategy and vision
- Time management
- Marketing
- Sales
- Customer service
- Leadership
- Emotional mastery
- Financial fitness.

The emotion of uncertainty is one of the most challenging emotions which human beings have to deal with.

When faced with uncertainty many small business owners become paralyzed with procrastination and fail to make the necessary and sometimes tough decisions.

Right now, times are readying themselves for the new future by: building a clear picture of the probable futures beyond the economic downturn, rather than based on the last business cycle, to allow them to better see which innovation paths are dead ends and which have substantial promise.

Many businesses are now at the end of an "S" curve, representing a dominant set of characteristics that defined business activities in the past. As the end of this one approaches quickly and the visible horizon shortens, companies need to work out what the next curve looks like.

The ones that seek out the start of the new set of principles and characteristics earlier will be better placed to work out how to exploit the next curve earlier and will gain significant first mover advantage.

It is clear the business world doesn't go on hold during an economic downturn, and in many ways the challenges are starker.

The hurdles your products and services face are more acute as buyers judge more critically what value they are getting for their money.

Those companies that can best demonstrate how they bring some specific value improvement benefit disproportionately in such times.

Historically **companies that have made gains during recessions have kept their advantage for longer and with greater impact on performance.**

Secondly historically economic downturns have generally lasted 9 or so months. So significant cuts now will play out in cost terms 9 months later, just as customers are potentially starting to lift up their heads and plan through the first shoots of growth.

This all leads to the same conclusion - a need for a thoughtful and thrifty view of innovation looking at how to do more with less.

Provided your organization is confident in seeing out a difficult year, the best returns on innovation will happen beyond the period of economic downturn.

Recessions always bring a sense of retrenchment and digging in, yet the most **successful companies have often used this time to take a step forward when the field is less cluttered and get a head start on their competitors.**

This reflects a more considered approach and reading of how the present and future unfold.

The root of all value...increase revenue, reduction of labour process, reduction of cost for energy, raw materials, shipping, better use of assets such as inventory.

Marathoners and Tour de France racers will tell you that a race's hardest parts, the uphill stages, are where the lead changes hands.

When this economic downturn ends, when the road levels off and the world seems full of promise once more, your **position in the competitive pack will depend on how skillfully you manage right now.**

During a recession, a knee-jerk reaction to cut your budget or back away from marketing activities could lead to significant losses for your business.

Instead you can successfully market your way through an economic downturn by implementing a recession-minded strategy. It's essential to adapt and retool to find the smartest routes to increasing marketshare and ROI.

The most successful companies never stop funding their most critical competencies--product innovation, customer service, or anything else.

As usual in these situations, **much will depend on how quickly you move.** It's human nature to avoid confronting bad news and to imagine that today's troubles will pass more quickly and easily than they really will.

Assume conditions will be worse than you actually expect. You identify areas where you think you can be more efficient by assuming the worst-case scenario.

Facing the coming reality before your competitors do can make a big difference in which of you stays healthy or even survives.

In times like these the strong get stronger and the weak get eaten.

Jamie Dimon, CEO of J.P. Morgan Chase, one of the nation's few remaining strong major banks, recently told a group at the Harvard Business School, with regard to the recession, " I am shocked at the number of people who are watching that train coming down the track, and they're still worrying about their future strategic plan. We cancelled all that stuff- -all of it-- meetings, travel, you name it, to focus on the fact that we're in the middle of a real crisis."

The most significant long-term strategic challenge for all companies will be to **determine how to grow profitably**. Without profitable growth, earnings will stagnate and shareholder value will erode.

While many firms respond to economic downturns by cutting costs and just trying to weather the storm, this alone is unlikely to be the best strategy to secure a competitive advantage once the economy rebounds.

Instead there is a need to look beyond short-term "fixes" to assess where there may be opportunities to capture value by focusing on changing customer priorities, business redesign, or industry restructuring.

Planning takes the guesswork out of business and allows you to make logical, strategic decisions when unexpected circumstances arise. The best way to handle crisis situations is to have them thought out ahead of time.

You must have the discipline to re-focus your business quickly.

One of the hallmarks of a creative company is a willingness to listen to everyone within the business and pay close attention to their ideas and suggestions.

Front line employees in customer service, delivery, purchasing, operations and sales **often have powerful money saving ideas** at their fingertips. Give them the forum to share them.

Be flexible and open to new ways of thinking or doing things, your staff or customers can have the best way of doing things in this new environment.

Nothing will damage your business more than business myopia or short sightedness. In order to stay successful, you must always keep an eye on your long-term goals and objectives.

Every decision, every cutback, **every improvement you make now must be beneficial not only in the present but more importantly in the future.** Think about this before you slash prices, fire employees, cut overhead, or lower your standards.

If you are like most people, you are content with the status quo until something disturbs it. **You should be constantly re-evaluating** not just your marketing plan, but all of your business strategies including policies, pricing, and employee performance.

Have a Plan B in case the unexpected hits your business.

Once a company starts losing its bearings and moorings and gets carried away by stormy economic tides it is difficult - if not impossible to get safely back to shore. During an economic downturn those who were barely afloat sink, those treading water drown, and those without a fixed compass get confused and lose their financial vision, brand identity, and connection to their primary customer demographic.

To avoid these effects, it is important to prepare well ahead of time for the eventuality of downward market cycles.

What business are you in? Redefine and reinvent yourself.

Exploring different business models often acts as a spark to consider different approaches, and in many cases inspires companies to see how they can better leverage existing capabilities.

6 Ideas for Finance

Stop any spending that isn't directly resulting in customer acquisition or sales.

When the time comes for you to put the plan into place and match the size of your team to the revenue coming in, here are some steps to follow:

- 1) The office is a support function, and if you have less business coming in the door, logic says you need fewer office workers to field those phone calls, to dispatch those fewer calls, and to process those fewer invoices.
- 2) Trainees are next
- 3) Address your problem spots. If you have a disruptive force on the team, perhaps now is the time to take action.
- 4) Look at the lowest producing revenue employees who often have the lowest closing ratios and the lowest average invoices.

- 5) Commissioned employees still cost money. Don't allow them to sit around the shop in hopes that business picks up.

Cash is tight, but small businesses still need goods and services. That's why more have been turning to bartering--trading what they have for something they need. The International Reciprocal Trade Association estimated that 400,000 companies around the world did 12 billion worth of transactions last year.

Clearing houses facilitate trade by equating each product and service to a certain amount of "trade dollars," thus ensuring both sides get something of equal value in return.

Exchange networks come in handy for another reason in this credit-starved environment: Some allow members to borrow trade dollars to finance new projects.

The real value of barter comes when you can use your otherwise unused capacity.

An IT department overhaul

An exercise equipment retailer with annual revenues of \$100 million was faced with a \$300,000.00 bill just to upgrade their e-mail software and servers. Instead, they opted to jettison many of the company's old programs and servers and switch to cheaper, Web based software.

By doing this, they reduced their annual IT budget from \$671K to \$259K, and their IT as a percent of revenue from .7 percent to .3 percent.

Frame your cutting based on your **strategy for competing effectively**.

- **Think about the relative value/importance of particular customer segments** of a dollar invested in each one of them and then rank them highest to lowest:
 - Product groups
 - Channels
 - Geographic regions

Cut ruthlessly from the bottom.
Starve weak projects to feed strong ones.

Recognize that the impact of your cutting decisions depends upon what your competitors do.

Explore possible scenarios with decision trees, based upon possible competitive moves.

Evaluate the net present value (NPV) of the expected payback on each area of investment and continue to invest (albeit at lower rates) in those offering the most attractive returns.

Cut projects with less attractive returns, regardless of the time horizon.

Consider opportunities to capitalize projects so costs can be amortized over several years.

How do I identify where I'm spending too much?

Regularly go through your budget **line by line** to find whatever cost savings we can make with the **least impact on customers and crew members**. Some companies take a chainsaw approach to slashing their budgets, but we prefer to be more surgical.

Bring in third party groups that specialize in benchmarking. For example, hire experts in areas like telecom to help. Also compare your supply chain with companies like Wal-Mart. We then ask, "How many systems do we have doing the same thing?"

Create a dedicated (cost-cutting) team and have each person spend 50% of their time on it. When Chuck Schwab came out of retirement to put his company back on track, he had a team focused on savings. They ended up taking \$600 million out of costs.

Are there some cuts that are not worth making?

Yes. By switching from single-cup coffee makers to coffeepots in break rooms, we could cut our coffee costs by 70%. **But it's never just about the money.** While coffee pots are fine, they tend to be "high maintenance", and our break rooms are relaxing.

There are things we will never cut because they reinforce our corporate culture, like our holiday program.

Prioritize. **First take on cuts that are large and easy to implement**, like consolidating suppliers. Be careful with changes that bring small savings but come at a big cost. By cutting the free Snapple, you might lower morale.

What are some reductions companies often overlook?

They don't look for creative ways to avoid layoffs. To prevent overstaffing, offer a voluntary leave program that gives crew members unpaid time off but allows them to retain their benefits and seniority.

Hired consultants and contractors are big expenses that often get overlooked.

While most companies pay very close attention to their internal headcount, they don't focus as much as they should on how much they are spending on these third-party resources.

About **50% of costs for most businesses are associated with purchases**, what's spent on basic materials. If you can go after your supply chain and those costs, you can possibly avoid layoffs. In many ways it is free money, and its fairly easy to make happen.

Keep abreast of tax law changes as they come up. There may not be too much happening for the rest of the year with the elections in process, but bills are still being passed that can affect your business. If you don't or can't keep up yourself, make sure you have a CPA doing these accounting services for you.

Clean up your act now, before you start feeling the pinch. **Be sure you are getting current and accurate financial and accounting information** from your CPA on how your business is doing. Waiting until the end of the year to see how you did will not do it. **You need to know, as up to date as possible, how you are doing, month by month.**

Take a look at your expenses and see where you may be able to cut costs, **without cutting service to clients/customers**. Clients/customers are hard to attain and if lost, almost impossible to get back.

Secure your credit now. Credit is already very tight and will probably get tighter. Talk to your banker, meet with them, and be sure you have established a good, honest, open relationship. It might be time to take a look at borrowing needs in the near future and secure that cash from the bank now, before you need it, not when you "desperately" need it.

Businesses that are cash strapped going into a recession period may have to look for a bail out. They need to find a company that will value what they can offer, whether it is a special niche, a unique product or service, a client list, operational skills, years of experience, a track record of performance, etc.

Manage what you can control:

- Spending
- Growth assumptions
- Earnings assumptions
- Focus on quality
- Lower risk
- Reduce debt
- Perform situation analysis
- Adapt quickly
- Use a zero-based budgeting approach
- Make cuts
- Review salaries
- Employ a heavily commissioned sales structure
- Bolster balance sheets
- Become cash flow positive as soon as possible
- Spend every dollar as if it were your last.

Entrepreneurs must keep their personal credit ratings high, since business borrowing often depends on personal credit in the small business universe.

Curb your spending and don't give the bank a reason to charge you more money by being late on payments.

Prepare a worst-case, 12 month cash flow scenario. Assume a 10% drop in revenues and identify what changes you would make and when.

Consider some of the following **defensive actions**:

- Overcapitalize the balance sheet
- Push back credit maturities wherever possible
- Diversify revenues and costs across multiple currencies
- Carefully match revenues and costs in terms of exposure to inflation and currency fluctuation and engage in significant scenario analysis for sensitivity to these factors.

The **following activities will significantly increase your profitability** without the outside world feeling that you've radically changed your business:

- Increase prices by 5%
- Decrease direct costs by 5%
- Remove under-performing clients/products/suppliers/staff
- Focus on high-performing clients/products/suppliers/staff
- Increase number of customer leads by 5%
- Increase customer conversion rate by 5%
- Increase number of purchases made by each customer by 3%

- Decrease customer attrition rate by 5% (the speed at which they leave you)
- Decrease overheads by 3%

Try applying the math's to your business and you'll quickly see the potentially massive impact these relatively small changes can have on your business.

Your profit is inextricably linked to your sales and marketing efforts. The greater the number of potential customers you have, and the better you are at converting them, will determine your profitability.

If you want to stop worrying about your business **prepare a weekly cash flow forecast**. It works. Spend an hour every week and update it.

Stop being cheap. When revenue capture gets difficult, management teams sometimes get cheap. This makes no sense.

If you need more business and what you are doing is not working, stop being cheap and invest in ways to change that outcome. Does your business need more leads? Then spend more money on marketing. Does your senior management team need a new business success direction? Then invest in CEO coaching. Are you a salesperson who is struggling with sales? Then spend money on some sales education and training in a bad economy.

If you don't change the action steps you do now, you are going to get the same results. Tiger Woods has a coach--how come you don't?

According to an article published in Business Week, **market measurements and forward-looking financial indicators are important tools**. Without them business owners may never see hard times coming and can be blindsided and have their cash reserves wiped out without warning.

While no business leader has a crystal ball, those who do employ easy to read and understand metrics, benchmarks, and other tools for testing and evaluating performance are in a stronger and more informed position.

They can sooner identify trends and more quickly adjust and adapt to changes which give them a tactical and strategic advantage over their less informed competitors.

Those who do not respond proactively to changes are at risk for not only wasting time and money, but also losing their valuable customer base and overall brand integrity and congruency.

Reacting to situations you are not prepared for or accustomed to can frequently lead to knee-jerk actions that are neither thoughtfully conceived nor efficiently executed.

The difference between response and reaction generally boils down to deliberate preparation, prior planning, and intentional action - versus simply doing something from a place of fear or panic.

Emergency Response organizations, for example drill and train for the inevitable. When a fire erupts or a traffic accident happens, firefighters and police officers typically view the situation as another day at the office because they have planned in advance to react in an intelligent, effective and professional manner. They have the resources on hands, they understand how to best deliver them, and they confront the situation from a position of strength, not a weakened state of distress.

When a business is planned with proper contingency solutions in mind, it can avoid missteps and bad judgments while capturing a greater market share.

Experiencing an economic recession only makes it stronger by allowing it to put into action the concepts that it has been practicing all along. And while it survives, it thrives, because of the simultaneously weeding out of weaker and less capable competitors.

- Make sure that your clients are paying you on time.

- In reality we often zero in on expenses only in a scramble to get back to sustainable profitability when the economy stagnates and growth stalls.

Panic can lead to costly mistakes, and experts caution that while paring down may be necessary in the current climate, **entrepreneurs should be careful not to cut so deep that they poorly position their companies for an eventual rebound.**

For a growing business trying to win big-name clients, it can be very tempting to bid low for a high-profile project. But if the job is going to cost you rather than make you money, you have to take a hard line.

A company should engage in a thorough, transparent process to estimate the cost of projects for clients to ensure it agrees to the right price.

A closer **look at each customer's profitability** may be surprisingly revealing as you find that **who you thought was your best customer is really your worst.** It's scary, but you may have to fire those customers. Not only will it save you money, but it will also make your business a lot easier to run.

Look at your technology expenditures. We all tend to overspend on technology. We get caught up in paying for technology that isn't really enhancing the business.

Separate the need-to-have from the nice-to-have. For example, if you are paying for software licenses, go back to the company and haggle. You could possibly renegotiate software maintenance fees because those companies are hurting too.

Cuts must be the ones that do not impact revenue in a negative way. Think of them as eliminating unnecessary waste instead.

A recession proof company **understands the cost of providing its products and services.** Knowing your cost of production and cost of goods sold, helps to keep profits flowing in the face of possible price reductions. Be sure to understand all of the costs that go into providing your goods and services.

The cost knowledge is especially important for service based companies where some services provided may be much more profitable than others.

So it is good business practice to employ cost cutting measures that do not harm the company's revenue during an economic slowdown; it is definitely time to eliminate unnecessary waste.

Take charge of your cash flow. If you have past due invoices, **don't just hope that they will be paid - chase them.**

Can you combine your utility bills with one company - example gas and electricity to obtain a greater volume discount?

What Associations do you belong to? **What extra benefits do you have access to** that you are not using, such as free advertising opportunities?

Swifter invoicing, better credit control, reviewing credit periods offered, obtaining payments on delivery, factoring or invoice discounting, use collections agencies.

Negotiate longer credit periods, get the right balance without jeopardizing suppliers, know which are key, pay on pre-determined dates, and meet regularly with suppliers.

Reduce stocks - continually clear out old/surplus lines, set minimum/maximms for each stock line, refuse to accept early deliveries, consider buying in bulk, minimize level of buffer stocks.

Work towards a monthly profit goal, and don't stop fixing things until you hit it - every month.

Have a plan to achieve your profit goals. Write it down. Make it realistic. Make sure everyone knows his role, and does his job. Monitor it everyday.

Leveraging the 80/20 rule means that 20% of the things you do account for 80% of your profit. **Stop doing the 80% that generate only 20% of the profit.** Put half that time into solving the problem, and take the other half off.

A successful cost-management program depends on early wins that yield reduction within months, including headcount freezes, simplified management structures, and the elimination of rogue spending.

It then also requires more fundamental changes, such as relocation and major process changes, or technology upgrades, which will secure a positive long-term outcome.

The organization must truly support the program by **eliminating a culture of entitlement** (to have a large office, to opt out of shared services, that is rife within many institutions).

The **first step in designing a successful program is to understand why a cost exists.** It helps to distinguish between "good" and "bad" costs and to truly understand why the cost is there in the first place. Differentiating between types of expenditures typically uncovers larger and more sustainable benefits than the quick-fix mentality.

One bank that we worked with sought to reduce costs in its consumer deposits business; it discovered significant support costs driven by the complexity of the product set. After analyzing its customers' preferences, the bank realized it could eliminate three-quarters of these products and actually create a better, simplified customer experience.

Cost-management programs should be targeted at the various sources of costs, which fall into three broad categories:

- Organization - changing the organization by eliminating duplication, sharing services, or simplifying the organizational chart.
- Process Design - redesigning processes, automating tasks, and consolidating or outsourcing services.
- Sourcing - changing how the organization manages external spending by controlling internal demand and rationalizing and renegotiating vendor agreements.

It is **critical to address the drivers of cost that influence these sources**. For example, an organization may have excessive layers of middle management which raises overall costs. A good cost-management approach will not only treat the symptoms of the problem (by, say, removing layers), but also the cause (inadequate performance reviews and lack of transparency to the senior management of the carrying costs of these individuals). Absent addressing these drivers, bad costs tend to creep back over time.

Addressing your organizations costs requires a more sophisticated approach than simply slashing headcount and closing locations.

Substantial cost savings could come from deploying resources more effectively across the organization and introducing metrics to monitor progress. Among the areas to analyze are span of control, compensation and benefits, location, and shared services.

Mapping roles by office location or region presents another opportunity to highlight unnecessary support functions.

One should also explore a **business unit shared service approach**, which would entail a rigorous evaluation of support functions. The work will be rewarded by uncovering the right balance between vertical and horizontal alignment of support functions.

An initial cost assessment will likely **highlight problem areas of business processes**; for each one, managers should analyze what activity is being done, who is doing it, and where it is being done, in order to determine what processes should be redesigned for better efficiencies.

One effective approach to reengineering processes in four steps. First selectively perform detailed process mapping for functions suspected of needing improvement. Second, identify the ideal process flows with input from process owners. Next consider alternative sourcing options. Finally, propose reengineering options with associated high level economics.

Process redesign can be applied to many areas. For example, where time to market is a critical competitive differentiator, it pays to focus on redesigning the product innovation process. A new innovation department could have the capability to prototype and roll out products using a mix of internal or external resources that allow quick and effective testing.

Another example of potential process redesign is the call center, where better management of frequent callers will help improve service quality and reduce service costs. Customers can be analyzed to determine their profitability (usage versus servicing cost) and their reasons for calling. The underlying cause of the

calls can then be resolved, or the customer can be moved higher or lower in priority based on their profitability.

Enforce expense policies to curtail expenses incurred that result in little to no marginal business benefit; Make symbolic expense cuts (e.g., corporate plane, first class travel)

Introduce new policies that govern what roles require certain "perks" (e.g., laptop, Smartphone, premium information services)

Reduce usage of those items that have relatively high unit costs

Renegotiate with suppliers to secure lower marginal costs for goods frequently purchased.

Rationalize approved vendor list.

Introduce controls to monitor vendor selection going forward.

Integrate suppliers early on during product design life cycle. (e.g., interact with suppliers during branch spec phase)

Maintain supplier integration on an ongoing basis and be consistent across regions in order to realize cost benefits.

Create tiered fee structures with advisors/providers that are contingent upon pre-defined successful outcomes.

Launch metrics and governance structure to identify cost risk-sharing opportunities on an ongoing basis.

Perhaps the **strongest cost driver of all is an organization's culture**. Keeping the organization engaged with a cost reduction program requires a **shift in culture** among both senior managers and business-unit employees.

Like any element of corporate culture, this requires cues from senior executives, who will have to **emphasize the benefits of cost management** to all employees and provide incentives for individuals to abide by those values.

Managers need to break free of the quick-fix, reactive mentality and **develop a truly effective cost-management program** that not only addresses the need for fast results but lays the foundation for long term growth and opportunity.

Poll Question: How are you dealing with the rising cost of everything?

Poll results - 24% of companies are becoming more aggressive in collecting accounts receivable.

Poll results - 18% of companies intend to raise prices.

Poll results - 22% of companies plan to offer customers discounts for paying early.

Poll results - 16% of companies will take advantage of special payment terms with vendors.

Poll results - 20% of companies will make wider use of a company credit card.

Make profit - net profit the main overriding focus.

Weed out unprofitable accounts, lackluster ventures, services, campaigns, or products.

Automate the way you accept payment for just about everything you do.

Review current finance facilities to ensure there is capacity to support needs in the short to medium term.

If there is a need to find a new facility, or raise additional funds, the exhaustive scrutiny of each application will lead to increasing timescales; in some instances, a proposition that is acceptable at the outset of negotiations may become unacceptable in the time it takes to approve.

Understanding the cash flow requirements of the business as a whole, and of each individual project, is critical to survival.

In approaching new sources of finance, control and effective financial management must be demonstrated. The ability to identify business impacts will provide confidence and further underline the quality of the business.

Even in the current conditions, a business that can demonstrate its strength will receive financial support and grow.

Look for significant declines in sales, increased pressure on running costs, increased gearing, hardcore overdraft, and negative cash flow/working capital.

Maximize tax claims for any R&D work carried out.

Share options to reward and motivate employees are often cheaper than bonus schemes or pay raises.

Review method by which employee contributions are deducted to fund pension schemes.

Review costs of employee benefits and source alternative suppliers where possible.

It's easy to get lax about capital and to forget the most fundamental rule of business: that you **must earn a return on capital that exceeds your capital's cost.**

Dunkin Brands, which had previously turned to the largest national financial institutions for capital to help franchisees finance new stores, is now finding that healthy regional banks are also a good source.

Knowing that **inventory represents warehouses full of capital**, John Deere avoided the inventory pileups that afflict many manufacturers in a downturn and that have especially hurt the Detroit automakers.

A time of greater cost pressures may seem an odd moment to ask whether off shoring still makes sense, but in fact the economics have changed drastically.

The **labour-cost advantage of manufacturing in China or Malaysia has shrunk** as wages in those countries have jumped, and now that U.S. unemployment is increasing, the wage gap in some industries may shrink further.

McKinsey found for example, that a midrange computer server could be made for much less in Asia than in the U.S. in 2003, but by last year the cost advantage had reversed, so that making the machine was actually cheaper in America.

Manufacturing costs aren't the only factor in an off shoring decision. **Transportation, taxes, tariffs, speed, and transition costs can make a big difference.**

This means that before launching into a financial analysis of the portfolio around ROI, cash flows and breakeven points, the whole basis upon which these financial computations have been made needs to be re-evaluated. It means reconsidering the probable futures and translating them back into financial performance.

Empirical evidence suggests successful companies continued to invest in turbulent times, acquiring assets consistent with their core competence.

- A. Can you afford to weather 20% decline in sales or 30% dilution in margin for your key products? What happens if 5% of your customers/debtors' default? Will you have adequate cash to cherry pick distressed assets in a buyer's market?

Action: review target cash and inventory rates; review maintenance & consumables held; adopt strategy to sell down slow-moving stock; look across balance sheets as well as within balance sheets; offer incentives to reduce receivables.

- B. In a recession, it is riskier to borrow money, because cost of debt is higher, and the prospect of making money in excess of rising interest expense diminishes. A company should adjust debt levels according to its expectations of the future.

Action: define optimized debt targets; analyze loan book

- C. Don't cut out the heart of the business damaging employee, customer and supplier goodwill. Action to make capacity more flexible prior to the recession allows variable costs to be trimmed to match demand i.e. business as usual instead of painful cost cutting.

Action: Analyze costs; develop cost reduction contingency plan.

- D. Rising cost of funds changes hurdle rates, and underlying assumptions shift. For these reasons all projects should be reviewed for their strategic merit under new economic conditions. At food producers like George Weston Foods, the return on investment for inventory reduction projects will appreciate as cost of raw materials and cost of funds both rise.

Action: collate project business cases and apply a new set of filters to test viability and strategic fit.

Investigate your lender. Few banks are increasing lines of credit, but if your financial institution itself is in bad shape, "open up discussions immediately." If they're not there for you, consider alternative lenders." You might also approach a credit union: Their lending is up 36% over last year.

Get a cash flow projection from your bookkeeper, accountant, or from your accounting software. From there you can micromanage your cash position to get ahead of any huge payments. You could ask healthy customers to pay in 10 days rather than 30, in return for a discount. If you can afford it, offer 5% off for payment within five days (instead of the customary 2% for payment within 10 days).

Get payments in advance, and by credit card. Most clients will resist paying up front, but a few may **prefer to pay a fixed amount per month** rather than getting sandbagged with a large bill--and a few clients may be all you need. You can speed things up by asking for payment by credit card. Even in businesses that have not traditionally kept their customers' credit cards on file, it's becoming increasingly common to process payments automatically.

Before you select your merchant account provider, **make sure that you completely understand** all of the different fees that you will be required to pay. For example, the credit card processor deducts a fee of from 1 to 5% of the transaction. In addition there is a fee of \$.25 to \$.50 per transaction, with a possible minimum transaction fee of \$15.00 per month. There could be other fees that will be deducted such as setup fees, gateway fees, penalties, etc.

Tighten up your belt, but **make sure the cost cutting measures don't show.** Make internet calls instead of using traditional phone carriers, and e-mail documents (in a secure file format) instead of printing and mailing them. Save energy by turning off computers and printers. In northern climes, program the thermostat to fire up the heat just before the workday begins and shut it off an hour before it ends.

Cut payroll, but be creative. You can't avoid scrutinizing your biggest expense, nor should you. But "keep the people you need and make sure they're happy."

Forgo raises and cash bonuses and instead offer days off, early Fridays, flextime or telecommuting benefits, or even an unpaid sabbatical or tuition reimbursement. You might create a four day workweek, institute a no-overtime policy, or shift from a richer PPO health-care plan down to an HMO to survive the crunch.

Barter. A CEO of a Biomarker Discovery barter with her software consultant: He does statistical and web site work for her company, and in exchange, she lets him run his business out of her excess office space. That's netting her company \$50,000.00 in savings over the length of the 15 month contract.

Examine organized barter exchanges and networks.

Be sure to put all agreements in writing and record them for tax purposes.

Renegotiate vendor relationships. First, harvest the low-hanging fruit: Read the fine print for unnecessary add-ons or mistakes in leases or contracts.

Next, when its time to extend those leases and contracts, shop around for other suppliers.

Then call your current vendors and raise the matter of a better deal openly and honestly. Can you pay early for a discount, pay with a credit card for a discount, or do without some bells and whistles?

Slash expenses as if your life depends on it. Reduce salaries temporarily; making sure the boss takes the largest pay cut. Tell your suppliers you're running into a problem and need to extend payment over a six to nine month period. Then have a promissory note executed, with interest.

7 Ideas for Leadership

Stay connected. Attend at least one online networking event a week. Even better - attend three. Talk to people; find out how you can help each other.

Hold one-on one online meetings between company executives and clients with the sole intention of listening to client needs.

Make the executive team's contact information readily available to all clients.

According to Boston Consulting Group, leaders who successfully cultivate innovation have the ability to change, tolerate ambiguity, assess and be comfortable with risk, balance passion and objectivity, and command respect.

If you don't fit that description, appoint someone who does.

As a manager, **you must now focus on increasing your knowledge, skills and attitudes**, to get your people to perform at the next level.

If you are a business owner, or a manager of people it is essential that you **create a strong team atmosphere** even more now than before. Get together with your people regularly.

Have an initial meeting that discusses your vision and plan for the next 1 to 3 years. This gives them a vision of the future and the confidence that you have a definite plan of how to grow the business.

Everyone wants to be connected to a winner and it is your job, as the leader, to make sure they know that your company is well positioned and can handle what the future has to bring.

Share the vision, recognize them at meetings in front of others and show them that you care about them as individuals and as valuable assets to the company.

Remember, "People don't care how much you know, until they know how much you care."

It is **time to reach within**, time to find whatever higher power you believe in, time to demonstrate the kind of leadership that can deal with these turbulent times.

People who get results are high impact leaders. They are consistent, explicit and concise and they command a presence when they walk into a room. They have enough charisma and leadership insight to create success even in the toughest times. When they move on, others want to go with them. They have a following.

One person with a command of leadership can transfer enough influence, creating enough leadership amongst the management group to deal with a declining economy and create success in spite of it.

To be successful during tough times you **must make emotional connections** with your management team. Encourage these managers to open up, share dialogue and reveal dreams. Leverage their leadership ability by advancing their personal agenda. A good leader is not intimidated by the success of others. They encourage others to succeed and help them fulfill their wants and needs.

Even those of us with scar tissue, experience from past recessions, find that leadership becomes much more difficult in a declining economy. It requires a **self analysis**, going back to the basics.

Don't design your economic downturn strategy alone. Engage a small diverse group of top executives--a couple of **good business people** who know your industry and at least one person who truly expects the economic downturn to happen and significantly impact your business. Also **include an outsider** who will challenge everyone's thinking.

A key leadership mantra for the high velocity economy is this: "focus on opportunity and growth, not just cost-cutting." Jim Carroll

As a manager **you must now focus on increasing your knowledge skills and attitudes**, to get your people to perform at the next level. Don't hesitate to invest in a consultant or into a quality Management development course.

More than ever, it is now essential that you **create a strong team atmosphere**. As people start to hear the media talk about a recession they get nervous and fearful about their jobs. If they see the business slow, slight paranoia will set in and they may start to look for something new versus help keep the business where it needs to be.

Get together with your people regularly. Have an initial meeting that discusses your vision and plan for the next 1 to 3 years. This gives them a vision of a future and a confidence that you have a definite plan of how to grow the business.

Delegate. The more time you spend doing things that other people can do, the less time you have to think clearly about how to solve the problem.

Work on your business, not in it. Solving the recession problem requires perspective that you can't get if you're up to your elbows in day-to-day operations. If you need help getting perspective, call in a consultant.

Build a work environment that fosters and supports creativity.

Profitable companies are well managed. To manage a business effectively requires a **blueprint for employee and team training**, a current and useful database of contacts, leads, and customers, a good budget and strong accounting practices, and skillful use of time and resources.

Intelligent managers know how to systemize routine procedures to streamline them, while humanizing the exceptions.

Assemble a group of advisors and get their input and creative ideas.

Why not a new business model?

Appraise the management information system to ensure it is providing the information required for measuring performance against sales targets, overruns, etc. This way you can be alerted to any variances at the earliest possible point.

Appraise senior management and the board of directors to identify any latent weaknesses or shortfalls in experience and abilities required to trade through a recession, and where appropriate train or recruit as necessary.

The instinct of most executives is to hunker down in uncertain times, keeping quiet until they believe they have some answers. That's the opposite of what's needed.

In an economic downturn all of a company's constituencies are nervous.

Employees are worried that they'll be fired, suppliers that they won't be paid, customers that quality will decline, or prices rise, investors that the stock will tank, communities that operations will close down. Your silence just makes them worry more.

Good managers **respond by communicating even more than usual**. They find that they needn't have all the answers, but they do need to say what they're thinking and be honest about conditions.

It's important to assure your employees by making clear your vision, making sure they know that you care, and making sure that you're direct and honest. They just want the truth.

Even when the news isn't good-- which it usually isn't--effective leaders find ways to keep hope alive. Home Depot chief Frank Blake cites an observation by Colin Powell: "optimism is a force multiplier." Every good company has upbeat facts, even in an economic downturn, and they need to be repeated.

The most obvious is to maintain a high degree of **communication about innovation** both inside and outside the organization.

This will include successful breakthroughs and milestones, but could also highlight performance against competitors, and performance against innovation metrics.

Linked to this is the need to communicate swiftly and clearly about cuts in innovation spending as well as the logic and thinking behind these actions. As much as the market may be listening for information on cost effectiveness, customers and suppliers may look for more confidence that the drivers of the organization have not changed

In communications, **avoid using words** like "recession" and "cut-backs", and instead use words like "switching to flexible capacity" and "investment in strengths"

8 Ideas for Operations

Increasingly, it's the integration of technology, business models and processes - all wrapped together. It's very difficult for any one entity to do that alone.

Operations Review

- Engineering -- decrease headcount for next version?
- Product -- what features are absolutely essential?
- Marketing -- measuring and cutting what's not working?
- Sales and business development -- getting return on expense increase?
- Pipeline -- real probabilities of closing deals?
- Finance-- cash burn -- where can payments be deferred?
- Finance -- G&A -- what departments are essential

- Error free order processing. When your customer receives an invoice, if it is easier to understand, and correct, the faster it gets paid.

- No backorders. No surprises

Set inventory target levels and assure that staff are carefully monitoring returns.

Assess impact of staff turnover and changes in management which could have a negative effect on business.

With 80% of sales coming from 20% of the client base it is important that **relationships are managed**, and quality of work/service is maintained, particularly for the top 20%.

Review credit limits; check that insured debts are within allowed limits.

Obtain credit references on any major customer/supplier.

Review terms of trade and make sure they include a robust, 'all monies' retention of title clause.

Look for changes in payment patterns, or 'round sum' payments.

Review operation of internal controls and fraud management action plans

Create flexibility in operating capacity (to handle lower or different demand) means you carry less fixed costs if/when recession hits.

Examples of operating capacity could be call centre capacity, back-office processing, sales force, logistics capacity, production line, assembly lines, etc.

Applications of an operations strategy might include:

- Hold off hiring permanent staff, and instead offer temporary contracts
- Engage third party sales channels on basis of risk reward
- Negotiate supply arrangements to increase the variable cost component and reduce fixed costs.

Action: analyze flex options across end-to-end operations (in terms of volume and mix); align with expected demand scenarios.

An economic downturn is an opportunity to **get closer to strategic suppliers** -- to stand out above the crowd by making payments reliably on time. **This is leverage to negotiate** improved quality, reliability, preferential treatment, efficiency, strategic alliance and other sources of competitive advantage.

Avoid the bull-whip effect in supply chain by sharing forecasts with strategic suppliers to ensure glut of inventory does not become stranded in the supply chain if an economic downturn hits.

Work with suppliers to adapt to changes in demand conditions, for example:

- Switching to flexible operating capacity
- Revisiting minimum supply thresholds
- Reducing specification to reduce costs.

Action: review commodity strategies; engage strategic suppliers to collaborate on product design, forecasts and operational planning.

9 Ideas for Marketing

Focus your offers on content that will **appeal to someone who's actually looking** for a solution. Examples of this kind of content can include "Top 5 Questions to ask a Potential Vendor" whitepapers, buyers guides and checklists, analyst evaluations, and so on.

A more direct means for tapping into consumers' humanity comes through **supporting a good cause**. According to Cone's Cause Evolution study, 85% of Americans claim to "have a more positive image of a product or company when it supports a cause they care about...and 79% say they would be likely to switch from one brand to another, when price and quality are about equal, if the other brand is associated with a good cause."

An example comes from American Express, which promised to donate a dollar toward the restoration of the Statue of Liberty for each new card application and a penny each time a consumer used one of its cards during the three months in which the campaign ran.

Consumer card usage increased by 27 percent and new applications grew by 45 percent

Pro-bono and cause marketing can further assist in enhancing a creative or business portfolio and in opening doors to new contacts, such as nonprofits board of directors and others who may also operate in the for-profit sector.

Working with nonprofits has also helped the company develop a good reputation in select circles, which has led to a variety of unsolicited projects arising strictly through referrals.

Content that illustrates your level of expertise, understanding the marketplace, and best practices in action can work to establish credibility - as well as increase site traffic if you can also effectively incorporate popular keywords.

A good place to start is **case studies of successful client campaigns** that demonstrate your core competencies as a business professional. It should aim to showcase the challenges overcome and the benefits achieved by your client in a way that potential customers can relate.

Produce competitive audits for clients along with recommendations for how they might better engage their target markets.

Develop an **understanding of the impact that each touchpoint** has on your customer and the degree of perceived value your customer receives from each touchpoint. Which add value and are critical to satisfaction? Which are "nice to have"?

Companies hire experts because they can't afford to make mistakes. **Position your company as the expert** with a specific product or in a specific market niche. The **more narrow your focus, the better your position**. Choose a niche - a certain vertical market where you have expertise, a special interest group, a job category, such as engineers or teachers.

Systematically analyze the profitability of customer segments deeper than a gross margin basis, to **learn which customers are truly driving your cash flow** and are absolutely critical to retain, and which customers are less important but consuming critical fixed resources.

Take a serious look at your current marketing campaign and make sure you are **focused on "call-to-action" type advertising**.

Show the community that has supported you over the years that you understand that money is tight and **out of appreciation for their support** you are willing to make less per item.

Don't cut prices. Adjusting your price should never be the first thing you do. **When you do have to adjust your price, always get something in return**. Be creative - carve out your work and offer smaller chunks.

Develop a strong word-of-mouth marketing campaign so you may **increase business through referrals**.

The **"soft dollar" cost will be your time networking**. If you are not a member of the chamber of commerce, join it. If you are a member, get more active in committees and events.

Use your toolbar and newsletter to **distribute an open-ended customer survey**. Actually read customer feedback and make adjustments accordingly, so customers can see you're making real changes based on that feedback. Make sure you track the effectiveness of those changes in your marketing strategies.

Instead of cutting marketing/advertising budgets across the board, **tighten your targeting** to reach customers where you have a 50 percent or better chance of winning the sale.

Shift emphasis away from high-ticket items to lower-cost products, to add-ons rather than whole new units, to repair rather than replacement parts, and to smaller and more resource-efficient models.

Don't rush to lower prices. Hard fought **premiums are tough to recapture** after sustained periods of price cutting.

Investigate **temporary promotional pricing** and lower volume hurdles for price discounts.

Start by **learning your customer's changing needs** and adapt your tactics to address the benefits that your product offers those needs.

Use powerful messages to communicate your product as **being a better value than alternatives**.

Examine your early buyer allowances, financing terms, and return policies to see whether there are areas of opportunity to **motivate distributors to stock your full product line**.

9.1 Marketing Research

Branding and other forms of push marketing drop in a slowdown, while direct marketing tends to rise. When budgets are cut, the channels with the least ability to measure marketing ROI are cut especially hard as companies shift spending to more measurable channels. Investment bank Cowen and Company looked at the last six recessions since 1950 and found that spending on direct marketing actually grew during six economic downturns.

In a downturn, customers defer spending, change buying criteria, and shift demand towards value products. New segments may emerge or customers could shift from one segment to another.

This is an **opportunity to offer value substitutes** and/or shift focus on alternate segments. For example Diageo might change its marketing mix to promote value brands and adjust Planograms at distribution points. Optus might offer highly discounted bundled offers to lock in customers. Banks might offer internet only accounts as a way for customers to save money.

Action: conduct customer research; model sales and financial impact; design adjustment to marketing strategy.

How to research Buyer Personas for more successful Marketing Campaigns

Do you market to multiple buyer personas? Wondering how to be sure you're marketing to each audience segment in the right way?

The consumer conversations on and around social media, news, blogs, forums, and reviews provide valuable insights into the affinities of specific audiences, such as influencers they follow, sentiment around certain topics, and so on. You can use these findings to inform your campaigns and content planning.

The key is understanding your audience before you start planning your campaigns. Insights gained from audience intelligence tools can be used as a foundation to connect with your audience at the right time, and with the right visuals and copy.

Here's how to better understand the behaviors, perceptions, and moments of a specific audience segment.

#1: Clearly Describe Your Buyer Personas to Narrow Audience Segment Research

Start by creating a buyer persona around what you already know about an audience's behaviors. **Use brand monitoring tools** to help **understand relevance, growth, and topics associated with your industry**. Then **apply your own hypotheses of how your audience will react to a piece of information**.

Clear buyer personas let you immediately narrow any search and save you from having to examine reams of irrelevant data for each campaign.

For instance, suppose your gin brand wants to market a new gin product: a themed, affordable, yet trendy cocktail playing on the latest televised sporting event. You're aware that the general audience for gin is broad, and you're keen to isolate and segment your audience so you can tailor your marketing campaigns accordingly.

With this information in mind, you create the following hypothetical buyer persona:

- Millennial, between the ages of 21 and 28
- Works in the city
- Enjoys a recreational lifestyle

- Frequently visits the most popular, trendy, and stylish local bars with friends and work colleagues over the weekend

The hypothesis for your desired audience segment highlights age (24–28), location (city), time (weekend), preference, and behavior (trendy, stylish bars with friends and work colleagues).

You can now **focus your attention on researching the social behaviors, attitudes, and preferences of this particular audience segment** to confirm whether the new gin product will go down well with them. Based on your findings, you'll either adjust the absolute characteristics of their persona or create additional personas.

#2: Reveal Audience Segment Behaviors and Preferences via Social Media

The analytics provided by social media platforms, especially Twitter and Facebook, have become much more powerful. They also offer a decent amount of information about the audience you're engaging on the channel.

To illustrate, you can use Twitter Analytics to discover demographics, lifestyle, and consumer behavior of any audience segment to help verify your gin hypothesis.

To open Twitter Analytics, **navigate directly to <https://analytics.twitter.com/>**, or click your profile photo and select Twitter Analytics from the drop-down menu. Then **click the Audiences tab** at the top of the page and **select All Twitter Users** from the Followers menu.

Next, you want to filter the audience data. **Click in the Add More Filters field** and **select Millennials** from the pop-up menu.

Now browse the demographics, lifestyle, and consumer behavior of Millennials to decide whether this audience has the characteristics of your buyer persona.

Click the Lifestyle tab to see information on interests and preferred TV genres. You can see that 91% of this audience segment shows a preference for televised sports. That's good news for a sports-themed gin cocktail.

Click the Consumer Behavior tab and you'll **see this audience segment has a preference for premium brands.** Another point in favor of your gin product.

You can also **reveal similar details about audience segments using Facebook Audience Insights.**

When you're satisfied with the social data you've gathered, the next step is to combine it with data from other sources.

#3: Inform Campaign Planning with Trending Search Data

Use free tools like Google Trends to **analyze activity around specific trends** and **see how your social media findings stack up**.

For this example, a search for *gin* and *cocktail* in Google Trends over a 7-day period shows a consistent spike for the term *gin* as the weekend begins, with Friday and Saturday showing the highest volume. This data tells you the time of day at which “gin” and “cocktails” are popular search terms based on web search data, and can inform ad delivery and social posts.

Google Trends also shows you where *gin* has been searched for the most. This information offers further insight into the location of a primary target audience.

Now it's time to put what you've learned to work.

#4: Assess and Apply the Data

Looking at the data snippets provided as an example, you can see that your buyer persona is valid: Millennials are fans of sports and drama on TV, and they also have a preference for premium brands.

Web search data shows that *gin* and *cocktails* are popular terms on Fridays and weekends and reveals sub-regions in which *gin* is searched for the most. You can **use this research to inform social media marketing campaign decisions**.

Based on this data, your gin brand can be confident Millennials in the U.S. will engage with your sports-themed cocktail. Although when it comes to behavior, you may want to push something that's a little more premium and less affordable.

Use Studies, Stats, or Surveys to Correlate and Contextualize Findings

What if you need to test whether your evaluations are fair? Let's say your gin brand wants to contextualize some data you collected on demographics. You believe, based on a dataset, that gin is consumed more often in Europe.

If you **do a quick search on Statista**, you'll **see relevant industry stats** that support your belief that Europeans drink more gin than Americans.

If you're having trouble locating statistics to contextualize your research, it might be worthwhile to **conduct your own surveys**. Using tools like SurveyMonkey or Google Surveys can help with overlaying your dataset and giving context to your research.

Here are some tips for composing thought-provoking survey questions that aren't biased by the question:

- Avoid using slurs or terms directed toward a specific outcome in your questions.
- Ensure your question isn't supported by a statement that could alter the opinion of the respondent.
- If it's multiple choice, ensure that the options are evenly spread out, and not tiered in such a way that one opinion defined by sentiment is read before another.

9.2 Marketing Techniques

One of the biggest mistake's companies make during periods of economic slowdown is to cut back on marketing and advertising.

Doing this could be detrimental to your business.

Instead your **marketing needs to be more aggressive** and more comprehensive than ever.

Start by contacting past clients and simply touching base. Chances are a good number of them will have projects for which your services may be required.

Offer discounts, freebies or other extras as **incentives**. You may also want to set up a **referral reward program** for clients as part of your marketing efforts.

You also need to **re-evaluate your current marketing methods**. If you are not seeing some increase in sales from every dollar you spend on promotions, then you are wasting valuable revenue.

Whether you use an ad in the paper, direct mailings, social media or search, now is the time to make sure your current marketing is cost-effective and efficient. We are often haunted by P.T. Barnum's stark reminder: "Without promotion, something terrible happens--NOTHING!"

Are you content to follow the herd? **Step outside of your comfort zone** and dare to lead them to follow. Set yourself apart from the competition by developing your own Unique Selling Proposition.

Prospective customers MUST have a good reason to do business with you rather than your competition.

It could be:

- Your superior customer service
- Your personality
- Your references

- Your lifetime guarantee policy
- Best prices
- The outstanding quality of your work.

You have absolutely no reason to worry about the economic slowdown or competition once your customers experience your USP. In fact, you can use your USP to ruthlessly eliminate your competitors.

Put your targeted marketing efforts on overdrive, and invest the time and money necessary to ensure your messages are as powerfully persuasive as they possibly can be.

You should **immediately cancel all marketing whose sole purpose is "branding"** Any ad or commercial that's "cute", "funny" or "entertaining", and exists solely to get your "name in front of the people" - and that you are spending money for - should be cancelled now.

It is an absolute waste of money and should cease today.

Make sure that any marketing you do is **100% trackable**. You must be able to **see what messages are bringing in customers** and what messages aren't. Put more money in the ones that are working, and eliminate the ones that aren't.

Your copy is going to have to work 10 times as hard now to get results than it did 6 months ago. You **must have a pro** who can make it sizzle, create the value, and build the relationship your prospect desperately needs in order to buy from you now.

Think about buying or partnering with a firm that traditionally does well in or at the end of, a recession. Cash flow fro the partnership may help keep the core business going.

What kinds of firms do well in recessions?

- Basic services that can't be done without
- Services that emphasize refurbishing over buying new
- Business tied to debt and expense control
- Commodity based businesses
- Examples could be food, commodity recovery or conservation, health care, home and auto repairs and refurbishing, bookkeeping, billing and collections services.

The process is simple:

- Identifying the emotional needs of your target audience for each product/service and target.
- Selling Benefits
- Developing a Marketing strategy.
- Using Buyer Personas - what will work for each product and target audience?
- Implementing - taking massive action, telling the world that you are here.
- Measuring and testing - the only way to find out what works and what to adjust.

Steps to innovation

To be more hit than miss, **establish a company-wide process to brainstorm, test, and implement ideas.** Get training at dicor.org, ideachampions.com, innovationmasterclass.com, and strategyinstitute.com

Get the executives out on the ground looking for unmet needs that they couldn't have spotted from the office.

Learn from other industries. In other words, if you want your clothing company to cultivate superior service, have tea at the Ritz. If you want to attract top talent, see how Procter & Gamble does it.

A period of decline -- with its intense selection pressures, is a great time to test ideas.

Motivate employees to aspirational targets based on new economic conditions

Sales forecast Q1 2009				
Product Family	Plan		Adjusted	
	Volume	Profit	Volume	Profit
Fort Knox	3,000	3,000	2,400	2,400
Economy	10,000	7,000	11,500	7,650
Flexi-Plan	-	-	1,200	900
Total		10,000		10,950

REVISE FORECAST OF PREMIUM PRODUCT TO REFLECT ECONOMIC CONDITIONS
 FOCUS SALES & MARKETING EFFORT ON VALUE PRODUCTS
 ACCOUNT FOR MARGIN COMPRESSION
 LAUNCH CAMPAIGN TO CAPTURE NEW SEGMENT DEMAND

"We have partnered with a marketing expert in our industry, says Mark Schoenberg, vice president of Fogel Total Office Supplier. He will be paid from profits of new business generated and it has already paid dividends.

Research shows that a downturn creates opportunity to accelerate growth faster than your competitors. This means it may be the best time to step up your marketing -- at least in quality if not quantity.

The marketers that focus on getting the most out of every dollar spent and on demonstrating marketing's impact on revenue and pipeline will be well positioned to come out of the slump looking like a star.

A recession can mean more risk-averse buyers, which may lead to a tendency to go with "safe" solutions.

This is fine for large established companies, but it means **younger companies need to do more than ever to reassure and build trust.** Tactically this means including customer references, reviews, expert opinions, awards, and other validation as part of your marketing.

Strategically, a recession means fewer risk takers and visionaries, so take a lesson from Geoffrey Moore's "Crossing the Chasm" and use methods that appeal to mainstream pragmatists:

- Industry specific marketing tactics and solutions
- Vertical customer references
- Relevant partnerships and alliances
- Whole product marketing.

Spend more time marketing to (and building relationships with) the people you already know.

Some activities that can help you get the most out of your existing relationships include:

- Lead nurturing campaigns
- Creating new content to offer to existing prospects
- Cleaning and augmenting your marketing lead database with progressive profiling.

As a business owner, article marketing is a pure gold mine.

There is no comparison, when it comes to the amount of advertising, you'll receive without spending more money than you make. That's the beauty of article marketing. You don't need any money and they require very little effort to be put to work.

All you need do is define your niche topic, provide informative articles on the topic and persuade customers to click on your links.

Give customers what they want. Answer their questions, provide them with valuable information and offer products that make their lives easier. Once your customers trust you as an expert in the field, you'll have better results than giving them the hard sell on your product or services.

Set your focus on a small handful of keywords and phrases. Build your article campaigns around them.

Article marketing is actually the best way to survive a down market. You can submit article after article on your niche topic and develop your reputation as a subject matter expert without having to spend money on advertising.

Your real skill as a businessman is to know how to market your services and how to land customers.

Proceeding with targeted and cost-effective marketing campaigns **could mean the difference between success and failure during the downturn.** It is worth noting that 16 of the 30 companies in the Dow Jones Industrial Average started in downturns.

Over the long term, restructuring and consolidation need to be about more than reducing costs.

Consolidation can provide the opportunity to look at industry and competitive structures in new ways (e.g., cross-model operations, outsourced assets) and to consider different ways of doing business (e.g., go-to-market strategies, focus on new customer segments)

Take a serious look at your current marketing campaign and make sure you are **focused on "call-to-action" type advertising.**

While you want to make sure your marketing dollars are spent wisely, resist the urge to cut the budget dramatically as a knee jerk response to the recession.

Spend more on marketing for lead generation but force your team to quantify your ROI. During an economic downturn, many companies cut back on marketing expenditures. This is a strategic mistake. During an economic downturn, marketing is cheaper to buy, and lead generation becomes more important because you need to find buyers who are in a buying cycle now.

But any investment, including marketing, must have a definable Return on Investment. Also remember that in the business to business marketplace, branding is hard to quantify. **Focus your marketing budgets on tactical marketing programs that can create leads (direct mail, thought leadership educational events, email campaigns, etc.)**

Now might be a good time to increase spending because your competitors, in all probability are automatically saying, "Times are tough; I have to cut marketing." You may be able to pick up customers or market share because other people are cutting back."

Defer long-gestation corporate brand campaigns. Use the money for tactical campaigns, media outreach, and search engine optimization directly linked to communicating your recession-friendly offerings to clients and qualified prospects.

In hard times, the **primary focus should be to nurture and retain the clients** and prospects you are ready to engage.

Marketing is uniquely placed to communicate internally the new needs of customers and speed the creation of recession-friendly offerings and pricing models that address these needs.

First, identify and focus investment on your highest value customers.

These customers are your most identifiable and reliable sources of revenue and profit across your business; and because they are enthusiasts for your products or services, they will be most likely to continue spending in your categories during a down economy.

Second, **target product segments based on "need"** where your value propositions are strong enough to drive revenue growth and share gain.

Third, identify and invest in segments or geographic regions that are **likely to grow** during a declining economy.

Maximize advertising ROI by intensively **focusing on how each program effectively targets demand.**

Tell the story of how your brand is differentiated during a time when price becomes more important to many customers.

Create or highlight services that will have an **immediate impact** on either increasing revenue or reducing costs for customers.

Substitute glamorous golf-centric conferences with small **user groups of key clients at local venues.**

Set up a direct communication channel with marketing groups or other functional groups in client organizations to see whether there are ways in which they can pool resources to cut costs or generate revenue (e.g., **cosponsored advertising**).

Promote "Because we care" Specials, Sales and Incentives. Show the community that has supported you over the years that you understand that money is tight and out of appreciation for their support you are willing to make less per item, so they may continue to live the lifestyle they desire.

Re-evaluate your current marketing methods.

Set yourself apart from the competition by developing your own USP-unique selling position. Customers **MUST** have a good reason to do business with you rather than your competition.

Since Marketing involves knowing what your prospects want, it is important to **focus on the emotions behind your customers' needs.** Though it may not be immediately obvious, during economic turbulence, customers are most concerned about meeting their safety needs.

Therefore, marketing messages should be aligned with safety. To resonate with your audience's concerns, you may need to revise your current messages.

When the future is uncertain, customers focus on satisfying their needs rather than their wants.

Marketers can focus on products they offer that provide small luxuries.

Reframe your offerings to promote safety, particularly financial safety.

Marketing should not be so much about selling, but more about buying. Those businesses that focus on marketing as a form of customer service will tap into the needs and desires of their targeted audience in a way that translates more easily into increased business revenue.

Generate more leads by doing more advertising, getting more exposure through publicity, and by doing a better job of targeting those who are the best potential customers.

Use referral incentives, because an existing client who advocates on behalf of a business is the best advertiser of all. Then concentrate on converting those leads into paying customers by offering better products and superior customer service.

People still spend money during an economic downturn, but they are more careful to pay for value and get their money's worth.

Build new alliances and consider alternate distribution channels.

Create new uses for your products and services.

Position your company as the expert with a specific product or in a specific market niche. Choose a niche - a certain vertical market where you have expertise, a special interest group, a job category such as engineers or teachers.

Reinvent your trade show strategy, for example, instead of exhibiting, try for an exhibit hall pass, or a speaking engagement, or hosting a breakfast.

Ramp up your referral marketing.

9.2.1 Win Share and Grow

This approach is to invest in market share and acquiring new customers now, take a loss on short term ROI, and earn higher long-term ROI as you retain customers and market share when purchasing levels resume. Success is dependent on competitors' pulling back on their spending levels.

9.2.2 Spend Smart and Grow

This approach is to keep or grow investments just in the most profitable segments that will drive the majority of growth during recovery. This approach may allow a drop in total marketing budget but an increase relative to competitors in specific market segments.

9.2.3 Minimize Spend but Hold Share

The approach is to retain existing customers or share of transactions while cutting spending levels to maintain short-term profitability. Marketing investment levels are determined in response to competitors. It works well if all competitors decrease spending significantly but as others increase their spending, you match as necessary.

9.2.4 Cut Marketing and Invest Elsewhere

When marketing may not provide enough short term or long-term value, consider the approach of cutting traditional marketing and advertising back to minimal levels and investing in other parts of the business. Invest in customer relationships, additional service, and added value to retain current customers. Excess marketing and sales employees could be temporarily redeployed, for example, to conduct customer surveys, research new services, assess the competition, etc.

9.2.5 Cut Cautiously and Allocate Smart

This approach is to accept the budget cut necessary to meet company requirements but then reallocate the remaining budget to concentrate on winning a greater share of the most profitable customer segments. Marketing investment levels are driven by short-term business priorities, meaning cutbacks. Companies that can spend the smartest will have a significant advantage during tight times against companies that spend cluelessly. The extra knowledge gained on effectively marketing in tough times will create even more competitive advantage if poor market conditions extend over longer periods of time.

9.2.6 Pricing

Increasing your price by 10% allows you to lose up to 25% of customers without any loss of profit.

Decreasing your price by 10% requires you to make 50% more sales just to stand still

Offer cash flow investment options. If buyers can't afford what you sell, change your pricing approach--develop alternative pricing options. Create a light version that is less money. Develop a monthly program and call it a cash-flow investment plan.

Don't discount...add value. Often during a difficult revenue capture time, companies start discounting their suggested retail price to increase sales. This is a mistake. Don't discount...instead add value.

Take existing products and services you sell or create something new and **add it to your current offering as a package**. Why? Because when you add a new offering to your prospect's existing offer--the value to the buyer is at retail, yet your expense is lower because you only absorb the cost of goods. When you discount dollars off the top, this is true net-net discount in dollars off your bottom line.

Desperate companies employ desperate sales tactics, price deals at a loss (trying in desperation to generate revenue to cover fixed costs) thereby flooding the market with offers that damage long term industry profitability. Can you afford not to follow?

If you do, won't it simply create a price war? Can you exploit competitor weaknesses (e.g. lowest cost producer with cash reserves wins price war and marketshare?)

Can you **find higher ground** (e.g. during difficult conditions, Qantas improved premium services to business customers thereby locking in loyalty of this high value segment beyond the recession)?

Desperate competitors make across-the-board cuts, damaging customer and employee relationships. This is opportunity to win market share and recruit the best talent in the marketplace.

Action: use game theory to model competitive behaviour and expected outcomes; take actions that deliver you long term advantage.

Avoid full-scale price cutting--which can injure your ability to survive and grow during a recession--**in favour of short-term promotional offers**. You'll stimulate sales from current customers and draw in new ones, all while maintaining your regular pricing and profitability on nonpromotional items and services.

Pricing decisions you make during the economic downturn could weaken your firm and be hard to reverse once a recovery begins.

Lowering list prices affects every customer and prospect that you have. It is an extremely blunt weapon. Use this sparingly, if at all.

If you're considering a list price change, **consider reducing the product deliverable too. Offerings that deliver fewer features, lower levels of service, support, etc.** may give cash-strapped customers more options, and open up the opportunity to capture an untapped market segment.

Its imperative that you carefully consider the "big picture" before making changes.

For example, you may be pressed to increase unit volume to offset lower prices - a nearly impossible task during tough times.

You may also condition prospects and customers to expect lower price points, making it much harder to raise prices at some future date.

Your competitive position could suffer if prospects equate your lower prices to lower quality or a "panic" mode.

Have clear objectives for making any price reductions, for example, are there new customer segments that you could aggressively pursue or nurture?, which products and or services will be vital to your future? Which competitors must you vigorously defend against?

Establish pre-defined criteria to help you objectively evaluate desirable versus not-so-desirable deals.

Every time you offer a discount to a customer, you give up dollars that could be used for other purposes, like increasing your bottom line.

Discounts require careful control and management just like any other sizable investment you make.

Customers in depressed industries, for example, may merit more generous discount structures.

You may want to **consider rewarding longstanding customers** for their continued loyalty.

Another option to a permanent price drop is to use **promotional offers that put a time limit on the lower price**. The time limit will convert fence-sitting prospects into buyers, and you won't risk tarnishing your good reputation for delivering value-rich solutions.

Can you **divide your price up** into easier manageable chunks, say monthly or quarterly payments in order to help manage your client's tight budget?

Compete on your terms using a competitive advantage of your product and customer service quality.

When a qualified prospect is referred, you get a new client a minimum of 50 percent of the time, and typically between 70 and 90 percent of the time. Additionally, you are pre-sold, your selling time decreases, you have credibility, and you ace out the competition.

9.2.7 Stagnant Prices

By keeping prices stagnant the average business will begin to lose money automatically, just because of the demands placed on money by ordinary inflation.

A better approach is to **proactively raise prices**, concentrate on enhanced customer service to justify the increases, and in that way dramatically boost net profits without alienating customers.

Discounts and giveaways should be discontinued but replaced with profitable programs such as in-house financing and credit card acceptance to make it easier for customers to buy and pay for their purchases.

Financing costs will have clearly increased, as well as energy costs, base materials and transport/distribution costs. It is therefore **increasingly critical that businesses review their pricing and trading terms** with both their clients and suppliers to ensure profitability.

Those that do not address any increases will start to face cash flow management issues. This will make the business vulnerable if its bankers are unsure of the ability to service debt - banks carefully monitor performance against target data provided initially, alongside historic information and covenants included as part of the facility agreement.

9.2.8 Pricing Sensitivity Analysis

Pricing Sensitivity Analysis is a very useful tool to help determine impacts on pricing changes to profitability. "What -If" scenarios are created that include parameters such as annual sales, unit sales, variable cost, contribution margin, fixed cost, and profit.

Yes, everyone would like to pay less, especially in a recession, but the dangers of price chopping are greater than you may realize. McKinsey Research finds that in a typical S&P 1500 company, **a price cut of 5% would have to generate increased sales volume of 19% in order to pay for itself--and that almost never happens.**

The implication is that while holding prices steady may cause sales to decline somewhat, that course may nonetheless be wiser. It all depends on the pricing dynamics in your business, which may be changing rapidly in this economic downturn.

Now is the time to study price sensitivity in your market much more closely than before.

"What If" could help determine the impact on profitability, for example, if prices increased by "X" percent, if unit sales increased by "X" percent, if unit sales decreased by "X" percent, if variable costs decreased by "X" percent, and/or if Fixed costs decreased by "X" percent.

This analysis can be **conducted for each product/service line**, so that managers can determine which product/service lines to focus their attention on.

9.2.9 Revenue Opportunities

- Does part of your business receive **recurring revenue streams**? Is there a way to boost this part of your business? For example, maintenance contracts, or inspections?
- Getting more of your business into ongoing profit generating systems
- Old leads. Got any old leads where the prospect indicated that they were not ready to move ahead at the time?

Enter a new business vertical. If the current business vertical you sell is not buying, find another business vertical to sell. Don't hang on to industries that don't generate revenue. **Even in bad economies, there are always industries that are growing.** Find them and survive.

9.2.10 Product/Service

In a weak economy, **diversification may be your business' best friend**. The more services you can offer, the more clients you will be able to find. With a little innovative thinking you should be able to develop several "new" offers.

When given a choice between one item of merchandise and another, **look at the potential profit margins** and choose the one that delivers the most bang for the buck.

For example, printer manufacturers used to be in the printer business and sold ink to promote that product. Now they are in the ink business and sell printers in order to support their new business model. But all the while they are making profit by knowing where it comes from and how to nab it.

Other ways to manage merchandise include stocking higher priced and faster-moving items in the inventory, selling exclusive lines that others don't offer, and carrying private label merchandise.

Sell only quality merchandise - and make that part of an overall brand identity. This can generally deliver higher margins because people pay more for prestige, status and excellence.

Switch the idea around and view the goal of the company as **buying not products, but customers**. In reality, every company has to attract customers through marketing and advertising, and by looking at it from this different perspective it is easier to see that rather than chasing market share, businesses are chasing "wallet share" or profit.

Nokia is a great example of a company that despite a sales slip during the last recession maintained and even increased its R&D investments. The payoff for that belief happened probably 2 to 3 years later as Nokia maintained a steady stream of innovation, **bringing it to an increase in market share** from an already strong position.

Cuts to the innovation budget will have an impact on how your company is perceived within the market. The most obvious impact is likely to be the customers, who will start to see a fading of performance in their expectations of new product or service delivery.

Apple has enjoyed a phenomenal turnaround and confidently invested strongly through economic downturns.

For product companies, rather than going down the costly route of product development maybe there are alternative routes to market or ways of capturing greater margins and making them mainstream.

Repackage, rename and resell

To create new prospect interest in what you sell, develop new products and services or repackage what you sell and give it a new name or a new price.

Create a combo package or product or service offering that is delivered over a longer time period making it easier for your prospect to buy. Be different. In a down economy **people still need basic items, but they tend to be more cost conscious and may opt for items with lower quality and fewer bells and whistles in their quest to stretch budgets.**

Marketing investments must be justified with a rigorous business case and should be amortized over the entire "useful life" of the investment. It means **marketing must increase marketing accountability** by demonstrating the impact of each marketing activity on pipeline and revenue. Even small steps, like reports that show the total opportunity value for each lead source or campaign, can make a big impact.

9.3 Marketing Communications

Spend more time marketing to (and building relationships with) **the people you already know**

Marketing investments must be justified with a rigorous business case and should be amortized over the entire "useful life" of the investment. Demonstrate the impact of each marketing activity on pipeline and revenue.

9.3.1 Traditional Media

Buyers are more cautious; they're taking fewer risks. **Promote your product's low risk features**, such as no maintenance/repair costs, no training issues, and reliability versus faster and more innovative alternatives.

McGraw-Hill Research found that the companies that were aggressive recession advertisers had **grown their revenue over 2.5X faster than those that had reduced their advertising.**

Without lead management and nurturing, as many as 95% of qualified prospects who are not yet sales-ready never end up turning into a sales opportunity.

Examine your current marketing communication tactics and ask yourself if you have an integrated campaign with synergistic tactics designed to drive customers to a purchase decision.

Each step along your marketing chain must lead to a measurable response and ultimately foster sales. Set up tracking mechanisms for all ads and train your staff to ask new customers where they heard about you.

Market to current customers. In a recession, customers want to make safe choices with their limited funds, so they look to the companies and products they know and trust.

Since it can cost considerably less to win additional sales from existing customers than to bring in new ones, your economic downturn era marketing campaign should **include concerted efforts to up sell or re-sell to your current customer base.**

Shift your ad budget from print to search engine marketing

Each person sees between 3,200 and 3,400 images a day trying to sell them something. You have to be different. And you have to be consistent.

Good marketing principles say you must be in front of someone 12 to 17 times for them to remember you.

In the real estate business, 95% of agents struggle for 10 percent of the business.

9.3.2 Public Relations

Develop a strong Word-of-Mouth Marketing Campaign so you may increase business through referrals. This will help dramatically increase sales without costing you any "hard dollars".

9.3.3 The Internet

The **trend to shift advertising dollars** to measurable online channels is proven and won't disappear anytime soon.

We will see increased growth in measurable and relationship-based strategies such as search marketing, email marketing, lead nurturing and online communities.

Channels that produce B2B Leads with highest ROI:

- Email 50%
- Search Engine Marketing 43%
- Content Marketing 34%
- Live Events 32%
- Social Media 23%

The general trend appears to be away from more expensive, less effective tactics, and towards newer, more effective ones.

A recent article by Jefferson Graham in USA today tells how Hansen's Cakes of Beverly Hills has realized a 15 -20% lift in sales since one of her staff began using her Facebook status to relate her daily cake-decorating projects to customers, and how a barbecue lover with a special bacon recipe landed a book deal and a "thriving as-supported BBQ blog" after his Twitter update found its way to CNN and the New York Times.

These are great social-media marketing success stories, but one of the reasons they worked was because, in both cases, sizeable networks had been established ahead of time. The cake decorator, for example, had 2000 friends on Facebook, and the barbecue lover had already accumulated 1500 followers, at least one of which re-tweeted his message and helped to propel the dissemination process.

To build your own network on Twitter, its important to show potential followers that they have reason to follow you, you should offer insightful, interesting tweets that relate to their interests.

Build your list of email addresses. The more people you can reach with helpful information, the more you will grow and prosper.

Develop a weekly ezine.

Keep at the top of Google listings - website, online training, your YouTube channel, podcasts, etc.

Continue to invest in online presence.

A dedicated landing page is the single most effective way to turn a click into a prospect. A relevant landing page can easily double conversions versus sending clicks to the homepage.

Choose your social-media weapons carefully

No matter what the technology or medium you gotta be there. **Concentrate your resources on the ones that:**

- Are likely to be used or welcomed by your target markets
- You can excel in
- You can sustain on a regular basis
- Don't impose unrealistic burdens on your resources or budgets

Go organic

Place greater emphasis on your organic SEO rather than simply dumping money into Google AdWords. It's not only cheaper, it can be more productive. Natural listings attract 60% or 70% of clicks as opposed to 40% or 30% for paid listings.

Successful organic SEO requires:

- Aggressive identification of keywords that should be optimized for each significant page on your site
- Development of deep content that feeds search engine spiders and attracts incoming links
- Constant monitoring of your statistics to track trends and progress

Pull more tactics in-house

Many tactics can be created in-house, such as webinars, social media venues, blogs, Twitter, online communities. Pull tactics can be executed from your own desk.

One of the areas where many companies are innovating is their internet marketing strategy. Economic downturn or not, many companies are investing in inbound marketing strategies.

They are publishing their way into thought leadership positions. They are networking their way into sales opportunities. They are redesigning their websites as lead capture machines and leveraging analytics technologies to improve sales efficiencies.

These companies are innovating their sales and marketing processes, and most importantly, finding ways that sales and marketing can work together to grow their business quicker and more profitably.

Be where people are looking. Inbound vs. Outbound. The internet is primarily an "inbound" marketing channel where you "pull" prospects to you, by being where they are looking for your solution. The internet can deliver sales ready leads. If they are looking for your solution, your sales cycle will naturally be shorter.

Spend time. Not money. Almost **all internet marketing strategies require more of your time and less of your money** compared to traditional marketing and advertising solutions.

Everything is measurable. You can test everything. Some people get a little carried away with measuring every move. Not every connection on a social network, every email blast you send or every blog post you write, etc. is going to turn into business.

But when your online marketing activities turn into leads, opportunities and sales, you will know exactly what activity to do again.

Your competitors are shifting their spending. According to eMarketer, more will be spent on online marketing and shifted from traditional marketing approaches.

Constant Improvement. If you're doing the same thing you did to advertise and market your business as you did 25 years ago, you have a problem. Your problem is not that you're still wearing bell-bottomed nylon suits. It's that you probably don't know what's working and what's not working.

Measurability has a really interesting side effect. Since you can now measure things, you can now improve

One of the best ways to stay ahead of your competitors is by keeping up with current technology. So if you aren't familiar with customer relation management software or even e-mail marketing, now is the time to do so.

Current technology such as Web site and e-mail can help your company run more efficiently and cost effectively. Plus it can open access to clients in the next city, in another county, or even enable you to compete statewide. You'll have the potential to contact millions of people who would otherwise have never heard of you or your product/service. In a slow economy, you need all the exposure you can get.

Develop a presence on as many social media sites as you possibly can, and fill them with informative, helpful content related to your business. Take the time to become a good citizen of each community, and reap the rewards of tidal waves of pre-sold traffic.

Having a presence on Social Media sites can bring tidal waves of traffic to your site if you handle it correctly. Better yet that traffic will be already comfortable with you and your offering. They'll be convinced of your expertise, and will have already begun to develop a relationship with you.

You'll want to develop a presence on sites like:

- Facebook
- Instagram
- SnapChat
- LinkedIn
- You Tube

Social Media sites like YouTube are getting a lot of love from Google, so you could see multiple first-page listings in organic search rankings.

Entire books could be written about the detailed strategy it takes to fully optimize your social marketing program.

What users want is helpful information. Provide it in abundance with no strings attached. There will be a proper place in each situation for a link back to your site, and that is the only place such a link should appear.

You're here to build relationships, not get immediate sales. Be kind, be helpful and participate in discussions. People who are all "take" and no "give" don't get much love, respect, or effect from these strategies.

Video, video, video - put out a ton of informative, entertaining video, and broadcast it to as many sites as possible.

Unlike paid advertisements, social media is a fantastic place to be entertaining and creative.

It actually works to your advantage - especially in video. One great video that goes viral can bring more traffic to your money site - directly, and indirectly - than thousands of dollars of PPC. Give your videos every chance of being the next "big thing".

The bottom line here is that **by providing useful, informative and helpful content** to the various social marketing outlets, you can reach millions of prospects and begin developing the relationship they'll need in order to become your customers.

All of your landing pages, emails, ads, etc have to:

- Grab the attention of your prospect and immediately arouse an emotional response that "hooks" him/her into your message.
- Give him/her all the information he/she wants - demonstrate for him/her the value of ownership, show him/her the value this purchase will bring to her/his life, and answer every objection he/she may have
- Reinforce that this is a smart decision, and a wise use of his/her money by thoroughly proving every promise that is made.
- Make him/her feel comfortable and secure in the purchase by establishing rapport with him/her and helping him/her feel he's/she's buying from a trusted friend.
- Tell him/her exactly what you want him to do. Don't be afraid to ask for the sale. If you don't tell your reader what to do, he/she won't do it.

Robert Wolfe, 38, founder of Madison Heights, Michigan - based outdoor equipment and apparel retailer Moosejaw Mountaineering agrees. He built a loyal community around the brand by squeezing every pixel of opportunity out of the web.

His innovative marketing, known as "Moosejaw Madness" spans text campaigns, a blog and "Daily Remark" on moosejaw.com, among other initiatives.

Gather diverse thinkers around a table to create a public commons of ideas.

Provide Web teams with tools for tapping the wisdom of crowds. Such as:

Look at Collaborative brainstorming, mind mapping:

- brainreactions.net
- mMindmaster.com
- bubbl.us, mindjet.com
- mindjet.com

Emergent trends in business, culture:

- trendwatching.com
- iconoculture.com
- psfk.com
- springwise.com

Focus your offers on content that will appeal to someone who's actually looking for a solution (as opposed to thought leadership and best practices and best practices content, which can appeal to prospects who may one day have a need but are not currently looking).

Examples of this type of content can include "Top 5 Questions to Ask a potential Vendor" whitepapers; buyers guides and checklists; analyst evaluations; and so on.

A dedicated landing page is the single most effective way to turn a click into a prospect. Marketing Sherpa's Landing Page Handbook shows that relevant landing page can easily double conversions versus sending clicks to the home page, and testing your pages can increase conversions by another 48% or more. Together, these tactics alone can result in 2.5X more leads for every dollar you spend.

The trend to shift advertising dollars to measurable online channels is proven and won't disappear anytime soon.

What this means is that an economic downturn will accelerate the decline of interruption-based advertising that simply shouts your message to customers. In its place we will see increased growth in measurable and relationship-based strategies such as search marketing, email marketing, lead nurturing, and online communities.

The new generation of marketing tools includes things like social communities, Website syndication tools, and gadgets, because they are online ("on-demand"), scaling to any size of audience. The best part is that most Web technologies are easy to use and are, often, free.

Social networking pages are extremely popular now. Create a page on Facebook for your company or product. Or you can create your own social network at Ning. Populate your page with gadgets and fresh content. Start a group or a fan page so prospective and current customers can stay in touch.

Web site syndication tools put your Web site on the move. For example, if you put the best elements of your Web site on a community toolbar that sits in the browser, then your company goes everywhere on the internet that your customer does.

Any content or application can be made into a gadget/widget. which is a simple distribution mechanism because it can be hosted on any Web site, and is easy to install into a browser, social-networking site, personalized start page, or toolbar.

There are also some great sharing tools, like ShareThis, which can make it easy for you to syndicate product announcements, press releases, blog updates, and media coverage--any content you want--to your various networks simultaneously. It's a better delivery mechanism than simple email because it delivers your content to myriad places, like email lists, your Facebook page, etc. with only a few clicks. Moreover it can track and measure the entire life of the information.

The most successful Web marketers establish measurable goals and then consistently track the results. Set your specific campaign objectives and establish performance goals for each deployment method.

These goals should be aligned to business needs: for example, conversions to membership or purchase; increased site traffic if you are ad revenue based; and conversions from social networks to your web site.

Gadgets/widgets can help you measure return traffic to your site and repeat purchases. A tell-a-friend or sharing tool can help you capture the power of your word-of-mouth campaigns and measure conversions from social media. Most importantly, and unlike email analytics, all these tools and their analytics provide instant feedback so that you can react in real time to campaigns that are working (and those that are not).

Give your visitors and community ample opportunity to provide feedback about your site, campaigns, and products, and make adjustments accordingly. For example online surveys are easy to deploy and can centralize the results for comparison.

- "The companies that are going to succeed in the next three to five years are those that embrace Web power."
- Investigate moving software applications online through Software as a Service providers in order to reduce IT infrastructure costs, such as accounting, CRM,
- Growing businesses must use video on their web site. Business websites with video directly translate to increased traffic.
- People are thirsty for knowledge and want their voices to be heard. Starting a blog is an easy way for small businesses to tell their story and let customers join the conversation.
- Blog-powered websites will phase out the lonely, static corporate website.

Have more web offerings

Communities cost far less than sponsored events, can be managed virtually, and are of lasting value.

A healthy calendar of peer webinars on relevant topics.

Move from broadcasting (large events, third party email blasts, banner advertising) to narrowcasting (webinars, podcasts, whitepapers)

Automate all of your sales pitches online. Putting your presentation on autopilot on the web works.

Record all your online sales pitches

Accept faxes online.

Accept payment and deposit them straight into your bank accounts

Run presentations on web sites and blogs.

Recent research by Gartner and Forrester shows that over 93% of all business-to-business service, product and vendor research begins on the web.

No less astonishing is that over 76% of all consumer-to-consumer service, product and vendor research also starts with the customer sitting down at their computer and looking for your company online.

What does this tell us?

- Your potential client better be able to find your company website.
- Your website better look professional
- Your website better be up to date with relevant content that reflects the value, benefits, and advantages of your business.

As far as return on investment for your marketing dollars there is no better place to spend your money than in:

- The design and construction of your website
- The online marketing of your website.

It is critical to realize that in terms of all the marketing dollars you may invest in your business over its lifespan, no investment will give you the return (traction) that your website will.

Your website is a dynamic reflection of what your company is all about; it should communicate the services and products you provide of course, but it is also a **statement about the value and advantages you provide your customers.** and the integrity and professionalism of your business. Your website is the first step to creating consumer confidence in your business.

Your website works 24.7/365, it has global reach, and it is consistent with its message every time.

Your email address is one of the most commonly overlooked sources of brand "touch points" between a company and a potential or existing customer. **Every email you send is a brand impression;** a reminder to your recipient about who you are and where they can learn more about you and your business.

10 Ideas for Sales

Work to remove any perceived obstacles customers might have to doing business with your company

Shift your focus to your tried and true: your current customers, who require no acquisition costs and, with a little nurturing, could become one of your most valuable marketing assets.

Toronto-based FreshBooks was able to double its customer base over the last year, much of that through word of mouth. How? By surprising customers with dinner invites, going out of its way to send a little something when a customer has a baby or even just a bad day, and fostering friendships that go beyond typical client-vendor relationship.

The most important activity for any salesperson is to do what's "closest to cash" the first thing every single day - whether its following up with a prospect, writing a proposal, or closing a deal. Prioritize high payoff activities.

Commit to building your referral business. When a qualified prospect is referred, you **get a new client a minimum of 50 percent of the time,** and typically between 70 and 90 percent of the time. Additionally, you are pre-sold, your selling time decreases, you have credibility, and you ace out the competition

Your regular customers are on autopilot. When a purchase is repeated enough times, it becomes habit.

Customers are altering their behaviour because of uncertainty about the future:

- Laying off employees (maybe even your contacts)
- Hoarding cash and
- Postponing routine purchases.
- All purchase decisions are now up for conscious review.

Get your existing customers to buy something - anything.

You want to grease the wheels of habit formation by **getting your customers to once again get used to doing business with you**. Even if it's selling small volumes or items with low margins, write orders.

Once you have customers buying from you, you can look for ways to sell bigger and more profitably.

Remember, **your goal is to reestablish purchase behaviour**, so be flexible. Get into their systems so ordering becomes easy.

What you did during the last 12 months to close sales may not work now, or in the next few years.

Invest in a Sales Development Course for you and your people.

To increase your sales performance, especially during trying times, is like an athlete trying to increase their physical performance. **They don't keep trying the same thing over and over.**

They focus on increasing their knowledge, skills and attitude, so they may break their current barriers and perform at the next level.

Your sales department must now be the top-performing department in your company.

Your salespeople need to have a "whatever it takes" attitude.

During downswings in the business marketplace, nothing is more important than sales for your business. Without it, no money is made, and companies don't survive.

If you are not already doing so, develop a rolling, 12 month sales forecast

In these times it's not about what you have to sell. It's about what others want and are willing to buy.

Develop a program to transform infrequent buyers into repeat customers, examples could include signing up for your newsletter, downloading your community toolbar, offering frequent user discount cards

Focus more than ever on making sure that you are finding the prospects who are actually ready to buy.

Younger companies need to do more than ever to reassure buyers and build trust.

Tactically, this means including customer references, reviews, expert opinions, awards and other validation as part of your marketing.

Arm your sales force with positive messages and encourage them to solicit valuable feedback from customers. Give your sales force positive talking points. For example:

- Equipment sales are down but service revenue is up
- We're putting a lot of effort into improving a specific product's performance
- We've made changes to deliver more value by...

Use methods that appeal to mainstream pragmatists, industry-specific marketing tactics and solutions, vertical customer references, relevant partnerships and alliances, and whole-product marketing.

Focus on what you can control.

You can't change what's happening on Wall Street, so don't slip into a "woe is me" mode. Take action on what's controllable. For example you can: Increase your activity level. It may take more calls to uncover prospects. Call on different companies or industries. Not every business is affected equally.

Prepare more and improve your sales effectiveness.

- Solidify Your Base:
- Set up appointments today with your existing customers. Make sure to:
- Find out about their needs, challenges, and issues
- Help them achieve their goals and objectives.
- Eliminate problems they have with your company.

Spread the risk.

You don't want all your eggs in a few baskets. If you:

- Do lots of work with one company, pursue new customers.

- Work with just one person in an account, meet with other decision makers.
- Have only one strategy to win the business, develop a Plan B and a Plan C

Solidify your customer base. **Ask your customers what you can do to help their business during this down-turn period.** They will remember the help you have offered, even when times get better. Be prepared to work with your customers. You may start seeing collection periods lengthen. **Make calls; see if there are problems and what you can do to help.**

While your competitors find ways of cutting costs to the bone, make sure you're offering the best quality possible. And make sure your prospects know about it.

Go ahead and **let the competition be the "low price leader."** He can compete on price all he wants. Keep your prices as high as your testing proves your market will support, and continue to stress the quality and value of your offering, especially compared to "cheaper versions."

Look for ways of developing relationships with your prospects: Send them emails that are more than constant pitch fests, provide ways of interacting with your website, and use copy that builds rapport and persuades by leading rather than pushing

Understanding your customers and how they think is vital anyway. But during a recession it's a life - or-death proposition.

You need to have a firm grasp on what happens to the mindset of the typical consumer during economic hard times, because it will shape every communication you have with your customers.

In a nutshell, people must believe three things before spending money when the economy is tight:

- They must believe they're getting value
- They must believe they're buying from someone that they can trust
- They must believe that the purchase is justified

Now that you're re-inspired, it's time to reassure your clients.

Be proactive and keep in touch with them regularly; don't wait for nervous calls in reaction to the latest news.

Remind your clients that:

- You have a strategy (review it with them)
- You are in it with them for the long haul, through the ups and downs

- You are constantly striving to grow and improve your business (and how you are doing it)

Life continues to go on -- businesses are investing, consumers are spending, drivers are driving.

Many baby boomers will not retire, and this will likely create a new economy in itself

The new green economy is just getting started.

The main thing to do is to listen to your clients.

Answer their questions and ask questions yourself to get to the heart of their concerns. Remember that when they hear bad news about the economy, it raises fears.

A recession is an especially good time for entrepreneurs to build loyal followers.

Big companies, often good at community building, will be distracted during a downturn. But when the economy recovers, everyone will go after that audience - and if you already own it, that gives you tremendous leverage.

Start by contacting past clients and simply touching base. Chances are a good number of them will have projects or assignments for which your services may be required.

When buying slows down, you need to focus more than ever on making sure you are finding the prospects who are actually ready to buy.

Make sure you give every customer the best experience you can. That means clean restrooms, courteous staff, eye contact, handshakes. You've got to do this better than the other people out there.

Another good option for local businesses is **community involvement**. Join the Rotary Club or the Chamber of Commerce. Sponsor a Little League Team. Let the Girl Scouts do a car wash in your parking lot.

To keep from losing business, keep in close touch with your customers. "Show that you care. Understand how their business is being affected and look for ways you can help. **Lasting relationships are built in hard times.**" And look

for new market opportunities, recognizing that **when the business climate changes, customer needs will change as well.** That may mean new markets will open up for you, he says.

Many people feel that they cannot predict future sales because it's not "real" But a prediction or estimation is better than no plan at all.

When we set sales figures, they represent a target, and we have something to aim for and measure.

A key thing to remember is that **we see better results when we can measure them.**

Recruitment of "A" sales people that wouldn't listen when times were good may very well be receptive to conversation of they have seen their company initiate layoffs or other actions that may cause them to lose confidence. Don't hire the salespeople that have been laid off, **go for the stars.** Understanding these concepts is critical to leadership success.

Reexamine your sales effectiveness process and structure. Remember, profit covers many sins. Eliminate the places to hide and support those sales people on your team that have what it takes. Weed the garden of those that have been riding the wave or are members of the lucky territory club. Make sure sales management understands their role precisely. **Encourage coaching, mentoring, and most importantly - accountability.**

Instead of simply learning to do what we have always done a little better, we need to become aware of and practice understanding that **involves reexamining everything we do** - including taking a serious look at our sales effectiveness practices. This often means letting go of our existing bias and applying a little tough love as a leader.

Less professional salespeople move prospects freely between their sales pipeline and their sales forecasts co-mingling who is qualified and who is not qualified and inflate their sales revenue capture success. During a recession, you **cannot afford to carry salespeople who are not hunters.** During a recession, hire slow and terminate unproductive salespeople fast.

Make salespeople cold call. To increase sales success and reduce sales capture costs--salespeople must cold call new prospects. It is the cheapest and most direct way to find buying prospects.

Have easy access to more people in your company: less voicemail, less automated attendants, more human to human contact. "Get me what I need when I need it."

- **Offer to assist them in areas where you don't have a product and/or service.** For example, help them connect with other appropriate businesses, or work with them in brainstorming sessions.

What are you doing above and beyond the ordinary?

What are you doing to outsell, out serve, and out value the competition?

What's memorable about you and the actions you take on behalf of others?

Are you going the extra mile for your customers?

What are you doing to retain your customers?

Start doing the bump and up-sell or the bump and cross-sell

Deliver great service and **treat the customer like gold.**

Handwritten thank you notes in a tough economy are very powerful.

Start by contacting past clients and simply touching base. Chances are a good number of them will have a need for your products or services. **The probability of a successful sales for a lapsed or lost customer is somewhere between 20 and 40%, as opposed to acquiring a new customer where the probability is between 5 and 20%.**

Let them know of any new products or new packages or different service or financial offerings, company changes, etc.

Set sales targets and assure that these targets are being tracked closely.

Nurture the existing business you have to promote loyalty amongst your clients. **Look at what products or services you could offer them that they don't already have.** See if they can be doing more business with you. It is easier to sell to your existing clients than to a brand new one.

What you did during the last 12 months to close sales may not work now, or in the next few years. **Invest in a Sales Development Course for you and your people..** To increase your sales performance, it may require new processes, instead of keeping trying the same thing over and over. **Focus on increasing Sales Reps knowledge, skills, and attitude,** so they may break their current barriers and perform at the next level.

The sales department must now be the top performing department in the company.

During downswings in the business marketplace, nothing is more important than sales for your business. Without it, no money is made and companies don't survive.

Train your sales reps to conduct some market and product research as part of their sales calls. (Another reason to call on customers)

Keep selling. Never take your foot off the gas.

Keep in close touch with customers and track their demographic patterns and consumer preferences. **The better one knows his or her customers, the better one understands one's own business.**

Develop strategies to attract new customers, retain existing customers, and sell more products or services to each and every customer. Grow the customer base but also grow net profits in order to capture tangible bottom line benefits.

Customer-centric marketing revolves around offering real value and it also involves such strategies as "upselling" to customers. They buy a deluxe model versus a standard model, for instance, and pay a premium in order to enjoy bigger benefits from the upgrade.

"Cross-selling" - where a company sells other products to enhance the primary purchase is also effective.

"Down-selling" works well when a customer might otherwise not buy anything. **Accommodate their budgetary demands and make a customer for life**, rather than trying to sell them what they can't afford and losing them to a competitor.

The most important activity for any salesperson is to do what's "closest to cash" the first thing every single day - whether it's following up with a prospect, writing a proposal, or closing a deal. Prioritize high-payoff activities. Don't be afraid to call it quits if a strategy isn't delivering results.

The best performers deeply understand their customers' businesses and can respond in sophisticated ways. For example, McKinsey reports that when the economy was booming, a client company that sells plastic resins developed a fast-curing resin for customers that wanted maximum productivity from their injection-molding machines. But when the economy turned down and clients no

longer needed as much output from their machines, the company developed a less expensive, slower-curing resin. Customers are happy because their costs have fallen, and since the new product is cheaper to make, the company maintains its profit margins even when selling at a lower price.

No matter what business you're in, you can redefine value for the customer. When the economy was strong a restaurant chain developed a winning strategy based on massive burgers at premium prices. Reacting to the economic downturn by selling skinny burgers cheap would destroy the company's market position, so it's responding in other ways. "We can't add meat to a burger any more, since the cost is too high. We have to be creative. Carl's Jr. is promoting a guacamole bacon cheeseburger. Avocados are a less expensive topping.

As belts tighten, consumer needs and wants shift. **Economic pressures shape how and where customers shop as well as what they buy.** Your most important tasks are to **take a sharp look at how belt-tightening measures are affecting sales in your industry** or marketplace and re-evaluate the relationship your customers have with your own products and services.

How have customers perceptions of your offerings been altered by economic changes? To grab market share now, adapt what and how you sell to meet customer's emerging preferences.

Providing superior value is key to holding on to these customers. **Demonstrate your willingness to go the extra mile by** communicating with them more frequently and offering more services or product features. By varying your tactics you can stay top of mind without wearing out your welcome.

Present your value, for existing customers...what we have done for you lately, plans to drive new value.

For new customers...case studies with specifics, live estimates of potential value.

Present your value to the highest level of management possible.

The National Association of Realtors states that **74% of clients come from relationship building.** Almost three quarters of all clients are acquired by an agent whom they already know or are referred to by a friend.

Focus on your sphere of influence. Doing so will guarantee you your best leads. **The average person's sphere of influence is 250 people.**

Hunt now or be Eaten Later. Are you having a problem finding prospects to sell? Stop waiting for them. Start cold calling, going to network events and asking for more referrals from your existing clients. The world is full of placid

management teams who live off of their recurring revenue streams, investor's cash or one large client that generates 20% or more of their annual revenue. Wait in a slow economy and you will be eaten.

11 Ideas for Customer Service

Studies have shown that it takes 7 times as much effort and money to gain one new client than to receive repeat business from current clients/customers.

You must bring your customer service to the next level.

Sit down with your people and discuss how to make your clients happier.

Put together a short survey to find out from your current clients how you could improve your service or what other services or products they would like to see you offer.

In turn, they become your Research & Development department as well as your marketing advisors.

Continually improve every aspect of your businesses' operation and presentation.

If your business is operating just like the rest of the crowd it's probably not very customer friendly. And if your business is not customer friendly, you won't have the edge that tells your customer, "It's safe to spend here."

Even worse, your competitor with that edge will cheerfully get your customers because they will feel safer and more cared for in his shop than in yours.

Your service goal **MUST** be to **make your customer feel successful** with EVERY contact and interaction (S)he has with your business, regardless of whether a purchase is made!

Without making a significant investment in customer service, a business can take various actions to improve the level of service delivered.

For example:

- Clearly set expectations that the business viability is dependent on the customers' experience and the customer service group has the ability to make significant impact.

- Develop internal competitions for your customer-service team
- Establish awards and recognition initiatives for your customer-service team

Compete on your terms using a competitive advantage that the big boxes can't use: your product and service quality.

Now is the time to increase customer equity through activities such as:

- Opening a dialogue with your customers, by thanking them for their business, and recognizing the economic situation and sympathizing with the challenges your customers are facing.
- Rewarding the customer base, by offering free services that have a limited impact on your cost structure but deliver additional value for your customers
- Offering special promotions that are low-investment items but are perceived as valuable to your customers

Customer satisfaction has come to be viewed as an unnecessary expense and has declined nearly to the point of extinction.

And businesses have used technology to actually make customer service even worse. Most businesses now hide behind their web sites with no telephone number, mailing address, or other means of contacting the company, for additional information or when problems arise, other than leaving a note on an on-line form or sending an email to "info@abccorp.com"

If your message is ever answered, it will probably be a canned reply that doesn't pertain to your issue, or a note from an unmonitored employee that can't speak your language and has no stake in resolving your problem.

These companies exist on one-time only customers, which are the single, most expensive types of customers to acquire and service.

And they continue to operate only until the blogs catch up to them; then they go out of business.

The message is simple: make your customers happy with friendly service, quality work, on time and on budget and you will recession-proof your business.

Not all companies do quality work. In fact, as a group the construction industry receives a large number of complaints with the Better Business Bureau, particularly during an economic downturn. You must provide not only a high quality product, but also exceptional customer service.

When money's tight, clients expect more for their dollar. If you want to keep all their business, you must keep them happy. Refine your customer service

strategy to ensure that every step - from the first contact to picking up the final check - is client - focused and effective.

You may want to conduct a customer satisfaction survey or two in order to make sure your customers' needs are being met. Also consider making your service more valuable to clients with faster delivery times, wider selections, or more flexible payment terms.

Refine your customer service strategy to insure that every step from taking the order to delivering the product is client focused and effective.

Consider making your service more valuable to clients with faster delivery times, wider selections, or more flexible payment terms

Having invested so much to earn the loyalty of a customer, it is critical to focus on getting a solid return on that investment. Once a company has customers, in other words, it needs to take full advantage of the opportunity that each customer represents.

In addition to attracting customers, **you have to worry about retaining them.**

When money is tight, clients expect more for their dollar. If you want to keep their business, you must keep them happy.

Make your customer experience as good as it can be. Don't just satisfy them - make them raving fans! Think about how you make your customers talk about you like raving fans.

Lasting relationships are built in hard times.

Don't put obstacles in the way of your customers; make it as easy as possible for them to buy from you.

Customer service is of the utmost importance during slow cycles.

Studies have shown that it **takes 7 times as much effort and money to gain one new client than to receive repeat business from current clients/customers.** You must bring your customer service to the next level. Sit down with your people and discuss how to make your clients happier.

Put together a short **survey** to find out from your current clients how you could **improve** your service or what other services or products they would like to see you offer. In turn, **they become your Research & Development department** as well as your marketing advisors.

Train your customer service people to be true "Ambassadors" for your company.

Your service goal **MUST BE** to make your customer successful with **EVERY** contact and interaction he/she has with your business, regardless of whether or not a purchase is made.

This means that, for example, while customer service systems should be consistent and follow written guidelines and rules, customer service depends upon **well-trained humans to spontaneously solve the problems that are unexpected or out of the ordinary**. They do so by **understanding the core values of the company and internalizing those** to beneficially represent business under all circumstances.

Your current customers need care and feeding. Don't ignore them at the expense of new business because they are your best source for new business. Call them. **Ask what impact the lagging economy is having on their business.** Your only purpose for the call is to ask how you can help. You might have a referral for them, an article to send, someone for them to talk to.

For service companies it is increasingly about moving the service itself to re-invent delivery options that will enhance the business model. By **getting outside the existing model and exploring what other companies have done** there are significant opportunities to use some of your underused capabilities to much greater effect.

12 Ideas for Human Resources

If you do not find a way to get great people, you're not thinking long term enough. Jim Collins author of "Built to Last" and "Good to Great" has found that great companies manage for the quarter century.

The right people don't think they have a job: They have responsibilities.

The right people do what they say they will do, which means being really careful about what they say they will do.

Do your people have the skills necessary to bring the business where it needs to go?

The key to any business is people.
You must be able to focus them, motivate them, and keep them on track.

Business owners should hire-not-fire during a recession.

"Most of the time, economic downturns are short-lived,' which is a powerful incentive to keep the bigger picture of long-term growth in sight."It's easier to

invest training time for new hires during slower growth periods. Employees that are fired during a recession will have to be re-hired--which costs companies a lot more money in the long run, he says.

Given that people are probably your most expensive asset, you can't avoid personnel decisions when cost-cutting. Identify the bottom 10 percent performers in the company and send out pink slips. One way or another poor performers wind up costing you.

Make strategic cuts and hold onto your best people.

Replacing senior staff with a greater number of less expensive junior bodies can also set you back. It could take more hours to get a job done, and then senior people have to be brought in to fix mistakes.

If you cut benefits now, you may find that when things turn around, it will cost you more to get back on track.

If you're going to have a long-term business, you're got to take care of your people.

Many business owners will keep people, but cut benefits. An option is to keep the benefits, and cut staff.

Performance standards for your people are imperative in any normal situation but even more important in these times.

Understand your costs and whether you need permanent part time, casual or contracted staff - could you employ people for projects for only a few of days to finish off a backlog of work?

Are there different ideas as to where you might look for qualified staff? For example, special interest group meetings, special interest blogs, etc?

Tell them why it is so good to work with you. How are you different from your competitors? Do you provide a different environment or philosophy? What about a superior benefits package? What about your social consciousness?

A recession proof company values their employees. Other companies will follow the traditional approach of laying off staff. **Some very talented people will be let go by your competitors, so there is no better time to add their skills and experience to your business.** They may bring much needed fresh thinking and ideas to your company.

Weed out the dull planets - those people in your team who bring the rest of them down, they don't finish their work on time, the other staff are constantly picking up their share of the work, they are negative and complaining.

One on one reviews should happen for 30 minutes every 3 months. Your daily informal catch ups should not stop but **save some focused time for each of your people** where you listen and tell them how much they mean to the success of the business.

Commit to a development plan, not just professional but also personal or fitness or spiritual - whatever is important to each of your people.

Lasting relationships are built in hard times.

The key to any business is people. **You must focus them, motivate them, and keep them on track.** This is a delicate balance of helping set performance criteria, having good communication skills, and giving consistent encouragement.

Reward top performers and either reposition those who are not contributing to make them valuable or let them go for the benefit of the overall team.

For virtually all companies, a **critical part of the core is the continual development of employees.** Yet it's remarkable how many businesses cut training and development in a downturn. The best never do.

Just as most investment managers look like geniuses in a bull market, most employees can look like excellent performers in a booming economy. Now is when you identify the imposters. Working hard at that task is important, because **if you need to lay people off, as you well may, it's critical that you choose wisely.**

A subtler danger: If salaries or bonuses need to get whacked, you may be tempted to reduce them equally across the board in an effort to show that we're all in this together. But think of the message that practice sends to your best performers, who will feel they're being punished rather than rewarded for their great work.

In a survey of the World's Most Admired Companies as ranked by Fortune Magazine, the best ones **take extra pains to reassure their "most driven and focused employees,"** the ones it is most important to keep. Instead of spreading the pain, reward your best workers well, even in a recession. Then scout for competitors that are sharing the misery equally and steal their best performers.

While you're making sure that pay arrangements at you company don't encourage too much or too little risk, think more broadly about what they encourage.

At John Deere for example, incentives are based on economic profit, a measure that includes capital costs, and bonuses earned in any given year are paid out over four years; if performance falters, part of the bonuses can be canceled. The system encourages long-term thinking and seeing the recession as part of a larger cycle.

When an economic downturn hits, successful companies engage employees to adapt to new conditions by **aligning them to realistic but still aspirational targets**, as opposed to berating them for not meeting their sales target. They build confidence in leadership to steer them through tough times. The aim is to engage your best talent to adapt to changes in market, rather than look for a job elsewhere.

Action:

- Engage key employees to develop contingent strategies
- Prepare to fine tune scorecards if necessary
- Communicate strategies to handle new economic conditions if/when the recession hits.

If you're forced to layoff employees, you must communicate to your team you are disappointed that you had to make the tough decision to layoff their peers and friends. Its already caused you many hours of pain and anguish.

Let them know that you looked at the team and decided they were the most valuable people that you wanted to build a championship team around. You are the ones that were selected either because of who you are today or the potential I see inside you.

If you employ the right type of people, you will actually gain greater support by communicating this effectively. After all, your employees' loyalty lies with themselves and their family.

They will be happier about having a job than they will be upset about their peers that were laid off. They'll be relieved they don't have to go home and tell their family they were laid off. Plus, they'll be committed to helping the company turn a profit.