



The crisis as an opportunity

By Jan Nyholm

Drastic times ask for drastic measures. The current economic crisis is reason for many headaches among executive board members. The need to save costs and the fear of thereby ruining the business is omnipresent. However, there is a solution to this problem. In fact, it is not only a solution, but a great opportunity to improve and strengthen the market position.

The executive boards face a dilemma on cost saving; conflicts arise because different people have different views: on the production side, the operations managers argue that further cost-cutting endangers the quality and thereby the perceived value of the products. On the other hand, the marketing and sales people argue that maintaining a strong position and customer relationship is crucial for sales in this crisis.

Both are right. But only under one assumption: that all investments actually add value to the customer. In reality, this is usually not the case. It's a fact that most firms undertake many activities and processes which do not create any value for the customer and are irrelevant for the customer's decision-making on what and where to buy. Actually, for many of our clients, for which we worked on growth strategies, we ended up identifying significant costs that could easily be cut. This originates from three main causes.

Firstly, many enterprises do not have sufficiently deep and detailed insight into what really adds value to

customers and how customers make their purchase decisions.

Secondly, decisions are often made within single functions or isolated projects, instead of coordinating the decision-making process inter-disciplinarily to optimise the firm's resource allocation according to highest value generation.

Last but not least, many firms don't live a company culture that allows and ensures the necessary customer focus of their employees and leads to customers having an unique and consistent experience with the company and the products.

This indicates that every company can become leaner and more competitive if they manage to better distinguish between essential and unessential activities. This is a feasible task that can lead to important outcomes, as illustrated in the following example:

A worldwide company, leader in its industry, was facing the challenge to adjust and improve their cost structure dramatically. Unlike the common practice, the CEO decided to analyse and question all investments. He gave the order to identify and determine the real drivers of customers' purchase decision. He was eager to know how the customers actually behave and what they consider as added value. The goal was to find out which initiatives would maximise value to customers.

As a result of this analysis, the firm was able to improve the internal decision process by making it more fact-based and cross-functional. They managed to identify different activities which created no value for the customer and thereby did not have an impact on their buying decisions or their loyalty. Besides, the analysis unveiled new essential activities which were not undertaken so far, but promised to add value for the customer and generate a competitive advantage. These activities were newly implemented while all other non-essential activities got eliminated. The result was impressive. For example, the marketing budget was considerably reduced and the ROI of marketing

investment was augmented by 35% - and all this without a negative effect on sales and customer loyalty. Far from it: The company increased their market share and manifested its position as leading player in the industry.

A company must know the relevant activities, interactions, product features and services that are desired by the customer. Only then the processes of customer acquisition and customer retention can be optimised. In the end, this leads not only to reduced expenses, but also to more transparency with regard to the chances that arise in times of crisis. Doing this right ensures winning market shares from competitors who focus solely on cost-cutting measures.

Actually, in this crisis, firms must go back to the fundamentals of business: serve your customers better than your competitors do. Find out and understand the customers' needs and decision drivers then deliver. The result will be a lean company with happy customers and a paved way to success. As Jack Welch said:

"We will only have two sources of competitive advantage:

- the ability to learn more about our customers faster than the competition;
- the ability to turn that learning into action faster than the competition."

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