Ready for the Rebound? A Critical Six Point Check-Up

Would you leave on a cross-country road trip without changing the oil, checking your tire tread, adding anti-freeze (if you'll be crossing Minnesota, where I'm based), taking care of any other nagging maintenance items, and even loading some new tunes in place of the stuff you've been sick of for five years? You betcha you would. *So why would you take your company out on the road to recovery without doing the same?* And don't tell me your company doesn't burn oil. The average company has enough internal friction from bad process that lubrication is a must.

Potholes along the road to recovery

Think you can leave your company in cruise control and just glide back up the recovery path? Think again. Your "ascent" may resemble starting at the bottom of a steep hill in fifth gear, if you remember stick shifts.

Reality is you've tuned and equipped your company to peak perform under market conditions you won't likely see again–ever. In fact, depending on your industry sector, the new environs you'll hopefully soon see out your windshield will challenge your company to think and perform differently than pre-recession. And if you used to be a "muscle company" that could just "step on the gas" and leave competitors behind, you'll quickly discover you're heading up a new path with new hazards, including some mighty potholes and speed bumps. And you'll likely find that agility will trump speed and power on this new road you hope will return you to more prosperous times.

Competitive race leaders often lose their leadership positions, post-recession

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According to Gartner's research following the 2001 recession, a full third of marketing-leading companies (defined as those in Gartner's top-right Quadrant Four) could not climb back to the top during the recovery–and only 10% of those that fell off the pace initially have been able to work their way back up over time. Upping the risk, business conditions have already changed far more than during the 2001 downturn, and there's much more to come. This recession will take an even deeper toll.

What's so different?

Let's take an especially close look from a customer perspective at what's changed or changing:

- Thrift is a virtue, not a lack of imagination
- Spending on credit is irresponsible
- Conspicuous consumption is gauche
- So is excess energy consumption
- Green is cool, not expensive
- Simple and basic are in
- Bells and whistles are not
- Bigness is a vice
- Agility is a virtue
- Value trumps brand names
- Attention to customer experience is no longer optional
- Buyers expect sellers to sell what customers want to buy

As the singer once sung, "You don't need a weathervane to know which way the wind's blowin'." The opposite direction than before the storm. And demographic as well as economic factors will prevent a change back–for many years to come.

Preparing for the light to turn green

How should you be preparing for the recovery, which is going to be a windy, slow road, not the straightaway many companies hope for? You can start with these six fundamental steps.

1. **Check in with your customers:** Don't assume buying patterns will return to "normal." What was normal yesterday will be abnormal tomorrow. New, primary research is a great starting point. So is getting out of the driver's seat to walk around in customers' shoes–and especially listening to what customers are telling you. Successful, post recession companies will take customers on their new terms–and not try to lead them backwards. They won't follow.

For example–General Motors and Chrysler need to fathom how customers feel about buying cars from a post-bankruptcy company (assuming the best). Flashy "wea culpa" advertising with "we've changed" messaging won't do squat. Think back to Hyundai. Hyundai entered the U.S. market importing cars with "flexible" steel fastened with rivets. The cars fell apart so fast that Hyundai would not have been able to keep up demand for replacements–had customers been willing to buy another. So they redesigned, retooled, vastly upgraded manufacturing processes–*and, they offered the first 10-year warranty in the biz.* Turnaround at its best. Guaranteeing its cars for 10-years directly addressed customer fears, and Hyundai delivered on its implied quality promise. Huge success story based on understanding what customers were thinking and feeling–instead of advertising and promotion.

2. Reset your strategies to match your new customer environment: "Let's play nice" no longer cuts it with customers–not unless coupled with well-designed, well-delivered and well-targeted products and services. After relearning their customer bases (or finding new ones), companies must meticulously reset strategies to fit changing customer expectations–and hopefully exceed them.

   For example–thanks to changing customer purchase patterns, Wal-Mart and Target are on a collision course. Target has owned the "cheap chic" market segment for clothes, household items etc. along with a share of the "branded but cheap" market. Wal-Mart has owned the "lowest available price market" along with its share of the "branded but cheap." But thriftiness and budget-cutting are driving department and specialty store customers down to the discounter level, which would seem to favor Target; while joblessness and overall economic distress will drive Target customers to seek lowest available prices, which would seem to favor Wal-Mart.

   But Wal-Mart, at least, is not going to sit passively and let economic impacts run their course. Eying the downward migration of department/specialty store customers, Wal-Mart is doing an end run on Target by spiffing up its traditionally down-at-the-mouth stores and adding more upscale fashions and branded merchandise. As you may remember, the Arkansas gang tried that several years back, and it flopped. However, they didn't take the concept far enough, fast enough or confidently enough. This time they're much more committed, and Wal-Mart management plans to beat Target to this new, downwardly mobile, consumer market.

   Now, can Target afford to sit still?

   Wal-Mart is strategically aligning with customers, which will force Target's hand. What remains to be seen, however, is whether Wal-Mart will execute well enough to shed its reputation for shoddy merchandise, shoddy stores and shoddy employee treatment.

And let's take a quick look at the high end, women's apparel market. How many women, even very upscale women, will want to walk around lugging ostentatious, $3,000 purses from Needless Mark-up (oops, Neiman-Marcus)? Neiman and Saks will both have to seriously reset their strategies to stay relevant in a market that frowns on excess.

3. **Restructure and streamline process:** American business has never warmed up to process the way our overseas competitors have. Just think of the way Detroit automakers virtually stapled a waybill to C. Edwards Deming's forehead and shipped him off to Japan–where he taught the Japanese new process techniques that eventually brought Detroit to its knees.

   U.S. repugnance for process will hurt, because restructured markets will pressure companies to restructure how they work (process). That will be especially true in office/service (O/S) environments. Unless companies restructure process, they'll continue doing business the old way. Further, the consumer lockdown on spending will force companies to streamline in order to stay cost-competitive. And with most waste already squeezed out of manufacturing, O/S settings are the primary target for cost reduction.

   The good news is that streamlining O/S process, instead of just cutting people, creates scalability for growth, expands capacity, improves quality and strengthens customer bonds. It's like having a mega-coupon that gives you money back instead of paying for an oil change. Plus, we find that restructuring office process reduces O/S FTE requirements by on average 15%–*while delivering all these benefits*.

   For example–the do-it-yourself (DIY) market for home improvement/repair products is already in recovery mode, thanks to the resurgence in DIY consumer attitudes towards home improvement. Here in the U.S., two chains dominate this market: Lowe's and Home Depot. You'd expect that Lowe's, far and away the more customer-sensitive and better managed of the two, at least historically, would rise back up faster and higher. However, sometimes adversity forces companies to take drastic internal improvement measures–as in completely redesigning customer service processes–to get back in the competitive race.

   Home Depot did have a running start restructuring. Even before the housing downturn former CEO Bob Nardelli nearly flushed the company down a Kohler toilet by cutting customer service to the bone, forcing HD to change to survive. But HD has not let the recession curb its appetite for change. The number of customer service agents available to answer customer questions about how to do stuff and what to buy is way up–as is the quality of the service staff, which now includes many older contractors and trades people who otherwise might be out of work. As a customer with a HD store nearby and a Lowe's far away, I can personally testify to the improvement. I'd call it a process revolution–from the way customers are greeted to finding help out on the floor to expedited self check-out for small orders to staff willing to assist you loading heavy items into your vehicle.