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16A Journey, Suite 200  
Aliso Viejo, CA 92656-3317

toll-free 877-626-2776  
local calls 949-859-4040  
fax 949-855-2973

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CASHING IN — GLEANING AN EDUCATION FROM OUR ECONOMIC STATE | JOHN GRAHAM



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EDITORIAL | JOHN GRAHAM



## JOHN GRAHAM

**John R. Graham** is president of Graham Communications, a marketing services and sales consulting firm. He writes and speaks on business, marketing and sales issues. Contact him at 40 Oval Road, Quincy, Massachusetts 02170, 617-328-0069 or [jgraham@grahamcomm.com](mailto:jgraham@grahamcomm.com). The company's website is [grahamcomm.com](http://grahamcomm.com).

**Paying attention to business is one of the major benefits of a recession.** Ford figured it out. And so has Starbucks by bringing back the founding CEO, closing nearly 1,000 marginal stores and — most significantly — introducing their own instant coffee. This could be a brilliant move. While proudly passing up their \$4 cup of coffee, we take the instant stuff home and keep a little Starbucks in our lives.

But the recession has worn on so long, we're tired of hearing so much bad news. Yet, pushing all that aside misses the point, and so do all the layoffs and foreclosures. Dwelling on the real but negative skews our perspective: *we are so preoccupied with getting through recession, we can easily fail to learn from the experience.* We're like students who are so focused on graduating they miss the education.

To help avoid missing our recession education, here are several clarifying lessons from the current state of the economy.

**Cutting prices can kill business.** In a recent Yankelovich survey, 70 percent of the respondents assume a brand that lowers its prices during a recession is already overpriced. Further, 62 percent believe the products are old, perhaps ready to expire or are about to be revamped.

There's more. In the same survey, 65 percent assume that leaving prices unchanged is a sign that the brand is popular, while the same percentage believes it indicates that the product is already a good value.

In the food business, McDonalds, Burger King, Chili's, Applebee's and others recognize the price-cutting problem by creating new value menus that don't compete with their regular offerings. Some car manufacturers are responding with the same strategy by introducing new, lower-priced models such as the Nissan Cube and the Kia Soul.

**Figure out that tough is normal.** Referring to the devastation of the recession, we hear people say, "We didn't need this." Of course, we didn't need all the job losses, dashed personal plans and families forgoing basic necessities.

What we need is an attention-getting wake up call. Whether you agree with it or not, that's what the President gave the banks and the auto industry.

The lesson in all this is simply that tough is normal. Just ask the people of Fargo, North Dakota, about tough. They

didn't whine or whimper when the Red River reached a crest at more than 40 feet. They filled and stacked more than three million sandbags in record time. They won some and lost some and after the river began receding, the plain talking, gutsy Mayor, Dennis Walaker, gave the city a new challenge, "Our word for the day is restore and recharge." That's the right memo!

Tough is normal, and it's time to get used to it.

**Get the right vision.** In *Epic of America*, James Truslow Adams explored what it was that gave America its prominence. As David Kamp, writing in *Vanity Fair*, notes, "What Adams came up with was a construct he called 'that American dream of a better, richer, and happier life for all our citizens of every rank.'" He wrote those words in 1931, the heart of the Great Depression.

We all know someone from a dirt-poor family who gained a college education and later looked back and said, "How did that ever happen?" It happened because someone had the right vision.

**Give customers a reason to have confidence in you.** GM's "value-added" strategy for clearing out its obese inventory included a 100,000-mile warranty, a plan to make up to nine monthly car payments of up to \$500 each if you lose your job and throw in its Onstar emergency system for a year. Unfortunately, GM has an unparalleled credibility crisis: *consumers don't believe them.*

If GM would ever consider leveling with consumers, they might inspire confidence and sell more cars. The pitch might go something like this: "Look, folks, we're in a jam (we're all aware of this). We've got hundreds of thousands of cars sitting around the country on dealer lots (we've seen dozens of pictures of acres of cars) and we need to sell them fast because we need the cash (now, we're listening).

**TOUGH IS NORMAL, AND IT'S TIME TO GET USED TO IT.**

## [FAST FOOD RESTAURANTS] RECOGNIZE THE PRICE-CUTTING PROBLEM BY CREATING NEW VALUE MENUS THAT **DON'T COMPETE WITH THEIR REGULAR OFFERINGS.**

We can't give them away (makes sense), but we're going to do everything to give you more value than ever for your dollar" (seems reasonable). Come in and let's talk about it" (call to action).

Farfetched? Impossible? Everything else has failed, so why not try it? Honesty creates confidence and trust.

**Give the customer a solution pitch.** Why do we think a "sales pitch" is what it takes to make a sale? What the customer wants is a *solution pitch*.

A good example is Kraft Foods. Even though we all know Kraft mac-and-cheese, we probably draw a blank when it comes to the company's other brands. In the past, they would have poured on the ad bucks to get our attention, but not today.

Since more of us are eating in but have less time to prepare meals and are watching our budgets, Kraft came up with an incredibly creative solution: an iPhone app called iFood. The promise is saving time and having great meals.

When you pick your recipe on iFood, you can also pick the store where you want to shop and iFood not only gets you there, but it also tells you the aisles in your store where the items are located! And when it comes to ingredients, Kraft products are highlighted as you might expect.

Best of all, the iFood app is free, and it's so effective, it has one guy I know cooking for the first time in his life. His Creamy Chicken Enchiladas are terrific. By the way, how do you think he feels about Kraft Foods?

Give consumers a solution pitch if you want to pull more customers.

**Improve customer experience.** Many companies talk about "delighting customers," but few seem serious about giving customers what they want. Apple is a major exception. While shopping traffic is less than robust these days, there's always plenty of action in the Apple retail stores.

Here's why: Apple focuses on improving the customer experience. For example, the customer greeters serve a specific purpose. They don't just say, "Welcome to Apple." They ask the people coming in what they are interested in. They then log them in on a Mac, which connects the customer instantly with a personal shopper who stays with them, answering questions, providing detailed product information and offering helpful suggestions on how to get the most from what they buy. The personal shopper delivers the product to the customer and takes care of the transaction right on the spot. There's no handoff or unanswered questions. Most of all, the customer feels valued.

The salesperson performs one more surprising, but highly appreciated task: the rebate. No need to mail it in and wait 10 weeks, hoping the check will arrive. The rebate is immediately deducted from the price of the total sale and the customer receives an email confirmation.

Apple's personal shoppers send a powerful message to customers: "We want you to know that our service, as well as our products, go beyond your expectations." Instead of cutting back in a challenging business environment, Apple has further improved its customer service.

Here they are, business lessons taught by a recession. Instead of just trying to get through or survive a trying period, the lasting benefits will be learning from it. <sup>AS</sup> <sub>III</sub>

