



# *Myths* Business Must Avoid To Survive The Recovery

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At a recent stockholders meeting, the vice president of sales for a global manufacturer reported: *“The economy has been tough on our industry. Sales volumes significantly declined and have not nearly returned to pre-recession levels. The company has laid off employees, cut expenses, and, unfortunately, has had to cut price to remain competitive. Competitors have cut price as much as 40 percent on some products. We’re ‘under-water’ on critical components our customers need. But, we have no choice.”*

Sound familiar? Could this be your company?

Just as so many businesses during the recent recession, this company is having a tough time bouncing back. Consumers’ wallets and businesses’ checkbooks continue to be tight. In fact, the Price Index for personal-consumption expenditures, excluding food and energy, had bottomed out in late 2009, but is showing signs of being unstable again.

While sales and profits continue to struggle, employment will remain stagnant and the economy will be slow to recover. It’s a vicious cycle. Every company feels the trickle-down effect. Customers have reset their expectations. And, companies attempt to cut price to retain customers, grow share and increase top-line revenue.

# Investing in “value-based” customer relationships means reducing your costs or being able to charge more for highly valued products and services.

But is this really a viable business strategy? Focus on short-term revenue hinders investment in substantially improving the quality of your business for the future. Though not sustainable, many companies still operate on this short-term view.

## Myths Business Must Avoid

It's time for you to take a look at common myths that keep companies “sprinting” to the finish line. If you want to survive the recovery, avoid these failed strategies to stay ahead in the “marathon.”

### Myth 1 Customers demand lower prices during a recession.

When customers stop buying, the first reaction is to drop prices to jump-start spending. When price is the carrot, buying behavior changes and customers wait for even deeper cuts.

### Myth 2 You have to follow competitor price moves during a recession to stay competitive.

Competitors use price wars to protect share. You soon find that suffering profits can't sustain the business for long. Rarely does volume make up for the loss in revenue!

### Myth 3 We're good at what we do. Customers are privileged to do business with us.

Sorry to disappoint you, but it's not about you! Companies with this attitude find that customers don't stick around long.

### Myth 4 Customer retention initiatives are a cost that won't pay back.

Companies that treat customer retention as a cost will allocate only a few resources to protect their greatest asset. Their efforts fail to improve retention or increase sales and, therefore, support dwindles.

### Myth 5 Customer retention is the responsibility of sales and customer service.

Service Recovery is not a customer retention program. Only one out of every 19 unhappy customers complains. That's just five percent. And of the 95 percent of unhappy customers who don't even complain, more than two-thirds decide to buy elsewhere. Recovery as a retention strategy just doesn't work!

## A Look in the Mirror

Do any of these myths plague your company? Where do you feel the effects?

- Does the number of customer defections surprise you? What are these defections worth in Revenue? Margin?
- Are you spending more on new customer acquisition? How much more does it cost to win a new customer vs. retaining current ones?
- Are your customers really “price conscious” or are they really “value deprived”?

Studies show that when customers believe they get more “value” for their money, they are much more loyal and spend more with those brands.

## Why Invest in “Value-Based” Customer Relationships?


Companies that take a long-term view of investing in “value-based” customer relationships are rewarded with double-digit growth and profitability that compounds over time.

Does this mean higher costs? More often, investing in “value-based” customer relationships means reducing your costs or being able to charge more for highly valued products and services.

*“We're not fighting for the highest volume but for the best reputation, customer satisfaction, and the best profit,”* says Dieter Zetsche, CEO, Daimler, on the prospects of surpassing Toyota's Lexus as the No. 1 luxury U.S. brand, *Business Week*, August 2, 2010.

*“Most marketers and corporations are now looking to reduce costs in order to improve the bottom line. While they do that, it will be important to remember the favorable economics of keeping and growing customers vs. finding new ones.”* Donovan Neal-May, Executive Director, CMO Council, Forbes.com.

VALUE is about how you make your customers successful. Don't forget that customers define VALUE and expect you to deliver VALUE, at a minimum, to meet their fundamental expectations if the relationship is to continue.

Keep in mind that a change in the economic climate causes the needs of your customers to change, which requires a change in how you respond to their needs. 

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## Your Tools

# Five Value Creating Imperatives

How do you effectively deliver greater VALUE in this tougher environment and remain profitable to survive the recovery? Integrate these five VALUE creating imperatives into your business operations.

Take a closer look at each imperative. As you review these brief descriptions, challenge your current thinking, culture and processes!

- V** **Voice** — Give your customers one! Be disciplined about listening to their challenges and needs.
- A** **Accountability** — Hold leaders accountable for customer voice and for action that responds to customer voice.
- L** **Levers** — What is most important to your customers in how you help them succeed? How do they depend on you?
- U** **Unbelievable Experiences** — Create experiences that surprise & elate your customers! Focus on those levers that drive your customers' success and relationships.
- E** **Engage & Empower** — Customers and employees are your two most important assets. Engage them. Empower and trust employees to take good care of customers and build collaborative relationships.

How well do you execute in each of these areas? How much VALUE do your customers really feel?

Each of these VALUE creating imperatives requires a discipline to become part of your organization's DNA. These are critical to your success for improving your customer retention and making your business more profitable, no matter what the economic environment.

Be unequivocal about creating promoters who sing your praises — customers who know you are committed to their success and who are committed to your success!