

Managing customers in a downturn

Maximize short-term revenue or position yourself for long-term growth?



As the global economy continues its downward spiral, companies all over the world face tremendous pressure to generate cash and sales. Businesses that had obsessed about growing revenue are now focusing on grabbing whatever slice they can from a shrinking pie. In this challenging environment, what's the right strategy for managing customers: focus on short-term revenue or long-term growth?

	Point	Counterpoint
Generate short-term revenue <i>"In the current economic crisis, companies must do everything possible to maximize immediate revenue and cost savings."</i>	Focus on customers with money to spend <i>now</i> . Eliminate non-essential support for customers that aren't likely to buy in the near term. Be ruthless.	Customers have long memories — especially about how you treated them when they needed help. Don't turn a short-term challenge into a long-term crisis, particularly if your understanding of customer profitability is shaky.
	Charge for anything you can. Close loopholes that allow customers to take advantage of lax payment terms and incentives. Identify margin leakage and stop the flow.	Competitors are looking to poach your best customers. Don't open the door by nickeling-and-diming potentially valuable customers to death.
	Invest in tactical lead generation tools, such as direct marketing.	Direct marketing and campaign management are harder than they look. Without the right tools and talent to manage these effectively, you could easily spend more than you bring in.
	Drop marketing investments that don't generate near-term revenue: brand advertising, sponsorships, lavish entertainment, etc.	Established brands can afford to under-invest for awhile, and few customers now expect the excessive spending that was common when the economy was more robust. But if you're nurturing a new brand or repositioning an old one, you can run the risk of undermining everything you've worked so hard to achieve.

	Point	Counterpoint
Position for long-term growth <i>“Companies should focus on retaining and acquiring profitable customers to survive during and thrive after the economic downturn”</i>	Bend over backward to make sure key customers are happy.	Everyone wants strong, long-term relationships with customers. But those aren't worth a thing if your business fails in the short term. Do what you must to keep customers loyal but understand that everyone will need to make some sacrifices.
	Upgrade talent. When competitors implement across-the-board staff cuts, take advantage of their mistakes to upgrade your own sales force.	Before adding outside talent, tighten up your existing roster — trimming unproductive sales people and redeploying marketing staff focused on long-term initiatives. Make sure your own key people are locked up and secure, lest competitors catch you asleep at the switch.
	Go after competitors' customers. A downturn stretches companies to the breaking point. Find unprotected areas and exploit them.	Don't get so caught up in attack mode that you forget to protect your flank. You aren't the only company looking to expand at someone else's expense.

My take



Jonathan Copulsky
Principal, Customer and Market Strategy, Deloitte Consulting LLP

The current crisis demands significant and immediate action. Doing nothing is not an option. That said, it's important to keep in mind that customers have memories. Taking short-term actions that produce measurable but modest benefits might make you feel like you're doing something effective, but if they end up damaging relationships that you'll need in the future, what's the point?

In most cases, a balanced approach makes sense. Consider this approach. Start by prioritizing your customers and focusing on near-term sales. Cut back on long-term brand-building, unless it's essential to your immediate business strategy. Shift dollars to direct marketing (if you have the talent and capabilities to execute), sales promotions, and targeted lead generation programs that deliver faster pay-offs. For the longer term, look for opportunities to upgrade your customers and sales staff. Although it might feel strange to be reviewing resumes and profiling new customers while scaling back on your existing base, you may find that a downturn is the perfect time for aggressive action — especially if a competitor's employees and customers are at risk.

But don't forget to watch your back. You may not be the only business looking to capitalize on the vulnerability of others. Protecting your key customers and talent is always a smart strategy.

Many sales and marketing organizations will discover that their systems aren't precise enough to target individual customers or key segments, particularly when it comes to truly understanding customer and product profitability. When they try to tighten the screws on one group of customers, they end up driving other, more important customers into the arms of the competition. The right set of tools and capabilities can help control this kind of collateral damage.

A view from the life sciences sector

Meryl Allison

Director, Life Sciences, Deloitte Consulting LLP

Within Life Sciences, the current crisis exacerbates industry-specific challenges, such as declining R&D productivity and loss of exclusivity. In this environment, maximizing revenue from in-line products becomes increasingly critical. At the same time, sales and marketing investments are receiving increased scrutiny.

While companies often seek a percentage decrease across a portfolio, this approach could be disastrous. Companies must take a critical, disciplined look at the individual products and prioritize both spend and reductions. The right strategy will be a function of the product's stage in the life cycle, the level of market maturity and the competitive dynamics.

Clearly in launching a new brand or in supporting a brand where there is substantial patent life, investments toward long-term growth are warranted. Investing in pharmacoeconomic studies to achieve favorable formulary status and in sales/marketing tactics to secure the support of national and regional opinion leaders are key in a launch. Long-term investments in market and brand development make sense for a truly innovative product. Where new competitors are entering the market, companies must invest to protect valuable customers and key sales talent.

At the other end of the life cycle, "Brand Rescue" may be warranted. Underperforming brands waste valuable patent life. If you have the tools to identify and market directly to loyal customers, use them. This is also a good time to impose analytical rigor around ROMI. Focus on tactics and customers that could generate near-term revenue.

A view from the insurance sector

Joe Guastella

Principal, Insurance, Deloitte Consulting LLP

While the current market crisis affects each segment (P&C, L&A) of the Insurance sector in different ways, the underlying need to balance cost cutting with investment in revenue growth applies across the board. It would be a terrible mistake to forget about the importance of customer acquisition and retention in the hurry to reduce overall expenditures. Consider more effectively leveraging available data to analyze the business case tied to both cost reductions and other investments alike in order to apply the same critical thinking to both.

Furthermore, whether the customers being served are corporate entities, agents (independent or otherwise) or policyholders, they are all likely feeling the pinch caused by the credit crunch and general anxiety dragging down the economic system. Stand by your top customers in their difficult times, and they will be more inclined to stand by you when they regain their financial health in the future.

For more information, please visit: www.deloitte.com/us/debates/Managingcustomersinadownturn.

For further information about this debate, please contact:

Jonathan Copulsky

Principal
Customer and Market Strategy
Deloitte Consulting LLP
jcopulsky@deloitte.com

Meryl Allison

Director
Life Sciences
Deloitte Consulting LLP
meallison@deloitte.com

Joe Guastella

Principal
Insurance
Deloitte Consulting LLP
jguastella@deloitte.com

Related Content:

Library: [Deloitte Debates](#)

Services: [Consulting](#)