

To get the most out of uncertain times, managers must make hard choices

By Mike Perry

Don't let uncertainty distract you from opportunity. Oil prices, food shortages, stagflation, energy black-outs, low-price imports and even talk about recession – there are plenty of “What If’s” to divert managers’ attention.



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Lesson: Remember market segments can overlap

There's much uncertainty out there, but the economy's not dead. Careful budgeting and cost containment is the immediate and prudent response to be found in many business plans. The most important factor is the robustness of marketing strategy – how to make the most of the available market. Many sectors will be working flat-out for the next 30 months but in others, buying behaviour has already shifted to more careful consideration of the purchase decision.

Our experience with clients indicates a need to re-segment, align the marketing message, get the sales force focused and tune the pricing strategy.

How opportunities are missed:

Old marketing habits, if allowed to persist too long in a changing world, become increasingly ineffective. In uncertain times you should be asking fundamental questions about the choices – don't fudge the issues.

Here are some common faults:

- **Imprecise segmentation:** A financial services company defines its youth target market as 18 – 30 year olds. This is too wide; on the basis of age alone, at least four different purchasing patterns exist. In business-to-business markets, segmentation is often based on industry type rather than on how different categories make their purchasing decisions. Another problem is an unwillingness to modify the product portfolio to align it with the choices made about target segments;
- **Underwhelming communications:** Reasons for this often include failing to seize the high ground. Communications become over-nuanced, with nobody in the market staking a direct claim to the main

customer benefit, such as superior product performance. Another is forgetting that market segments can overlap. For example, a product that is sold in both the retail and corporate markets might end up with confused messaging. The appeal in retail might be emotional and that in corporate, technical – a job that's unlikely to be done by advertising alone.

- **A sales force on a separate mission:** By focusing on what customers habitually buy, opportunities to cross-sell other products in the range are not fully exploited.
- **Weak targeting of pricing strategies:** In these uncertain times, you cannot afford to “leave money on the table”. The consequences of doing this go beyond disappointing revenue and can include being “too cheap”, thus detracting from the image of your brand or “going too low” on a promotional drive with the result that there's difficulty in restoring prices and margins later.

How to get geared up for opportunity

4 steps to creating a plan sustainable enough for uncertain times:

1. Embark on a thorough re-segmentation of your market as it will be next year (and beyond). This strategic exercise should include undertaking a programme for detailed identification of specific product/market profit pools and make hard choices about the segments on which to focus all your Company's effort. Then repackage the proposition to improve its specific appeal to the new priority customers. Finally, decide which parts of the product portfolio will be the future winners and divest those with limited appeal.

2. Test your communications to ensure that they connect with today's times. Re-segmentation means that its time to question the positioning of your brand. Choose the attributes for a new emphasis that shifts your brand to a more relevant position in the customer's mind. Most important, check that your message matches the mood.
3. Test whether your sales force is in tune with the plans of its customers. Be brutal – sales people dwell on easy relationships, past purchase decisions and a desire to please with low pricing. Be sure of your sales force's ability to make the most out of the business that's out there. Are they focused on the customers that will be winners, or the ones that are easy to win over? Ask the sales team if there's a mutually agreed strategy with specific customers and whether they agreed to a joint plan of action to implement the strategy. “Friendly customers” will be your best marketing assets in tough times!
4. Get superior corporate pricing knowledge to eliminate panic. There's no substitute for researching how the market will act. Do you know the exact price points at which customers will switch to the opposition's product or for what specific reasons they are happy to pay a premium (and how much exactly)? At what relative price will your own products cannibalise sales? The value of this information is in more accurate decision-making. Without it, in tough times panic can lead to your people initiating price cuts. Retaliation leads to price wars, damaging profitability.