



Your Customer
The Biggest Revenue Opportunity
in this Economic Downturn





Customer Insight Paper **Your Customer**



As the global economic downturn unfolds, there is tremendous pressure on companies to take out costs and rationalize corporate resources in order to remain profitable and in some extreme cases, viable. Along the way, there are difficult decisions being made. Issues that impact long term business value like delaying sustainable research and development investment accompany more sensitive pronouncements involving human resource decisions like lay-offs and salary cuts.

While the need to cost-rationalize is imperative, companies must not overlook the once-in-a-lifetime opportunities in this once-in-a-lifetime business environment. The importance of streamlining the organization is indisputable but valuable revenue opportunities abound in the market dislocations that have accompanied these volatile times.

The biggest of these revenue prospects – the customer – is at once critically important in this environment and frustratingly elusive. Customers – both business and consumer – are no longer a ‘sure thing.’ In all aspects and across all product and service verticals customers are pausing before making their purchasing decisions and shopping around more than ever before. Globalization and rising consumerism have given companies’ end-customers a certain dynamism for decades but current events have brought a new level of volatility in their behaviors. The reasons behind this change are understandable and intuitive.

Customers Have Been ‘Burned’

Bankruptcies, corporate downsizing and opportunistic M&A have disrupted customers’ purchasing activities in alarming ways. Brands have unexpectedly abandoned their followers in the time of their greatest need; customers have found their favorite grocery stores shuttered, preferred telecom services re-branded under a competitor’s corporate identity, and in extreme cases, have watched their investment savings at a failed financial institution disappear forever. Partly driven by need but more so by disappointment, customers are exploring relationships with new brands and entertaining diverse products and services.

General Flight to Quality

This phenomenon, associated with investments and most notably the stock market, has humbly filtered its way into this marketplace of fear and uncertainty. Perception is an overriding force which is compelling individuals and companies to shift their purchasing decisions and business to ‘trusted’ brands that have a history of delivering high quality products and services. Value is still a big factor in most decision-making but increasingly, companies with leading brands and prominent market positions are attracting new customers at a rapid pace. The abject failure of ‘blue chip’ companies during this downturn notwithstanding, this migration is indicative of the volatile and restless mindset of customers worldwide.

Re-examining the Status Quo

While the need to assess the status quo from time to time is a sound practice, the psychology of fear and uncertainty



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has a remarkable impact on the urgency and intensity of this evaluation. When so many things appear to be going wrong and so little right, the natural tendency is for businesses and consumers to re-evaluate everything they have done in the past. Are my insurance policies administered by a financially stable institution? Am I receiving the best possible customer service from my credit card company? Do I have the most cost-effective bundled voice and data package in the marketplace? With the world in flux, so is the customer mind-set.

While the reasons behind current purchasing behavior are many and the outcomes associated with those behaviors diverse, it is inarguable that there is more customer decision-making occurring today than at any time in recent history. Discerning companies that recognize that customers are in flux and act opportunistically to lend them stability will be the winners in this market environment.

The priorities will vary from one organization to another but the following three initiatives should form an integral part of any company's marketing strategy in these challenging times.

Customer Retention

Consolidate your existing customer base and build a moat around it. Deliver exceptional service and prioritize customer loyalty initiatives. Protect this existing source of revenue from the volatile market forces highlighted above.

Maximizing Customer Lifetime Value

Analyze your existing customers to gain deeper insight into their purchasing decisions. Unearth latent revenue opportunities by offering complementary products and services. Up-sell, cross-sell and next-sell when it suits their business and personal needs.

Customer Acquisition

Take advantage of customer flux to address prospective customers in targeted ways. Re-examine your value and quality proposition in the industry. Improve sales and marketing efficiency to offset the higher cost of acquiring new customers.

The unexpected severity of this market downturn – top-lines have been hemorrhaging faster than many companies have been able to rationalize operations – suggests that cost initiatives on their own will not steer a company through these turbulent times. In this market, safeguarding revenues is a challenge that every company must prioritize and growing revenue opportunities is an opportunity that every company must pursue. The customer and customer service should once again become the number one priority.

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