



The uncertain business environment, July 2009

Introduction

The decreasing economic growth, lower export rate and increasing number of lay offs, have highlighted the worldwide economic crisis. Firms around the world tend to survive the worldwide economic crisis with different point of views. As economic weak spots are integrated into the global economy, how could the economic crisis affect the firms' Sales & Marketing performance? What should be the do's and the don'ts when your revenue is declining? If you are also challenged by this topic, this article will interest you.



Environmental factors versus Sales & Marketing perspectives

Organizations frequently must cope with anomalous events, referred to as crises that create high levels of uncertainty and are potential threats to the viability of an organization. Regarding this uncertain financial environment, the degree of competition a firm faces, has been purported to moderate the influence of market orientation on the firm's performance (Grewal & Tansuhaj, 2001). As competitive intensity increases, so does a firm's need to be market oriented (Houston 1986). In other words, in highly competitive environments, greater emphasis on market orientation is required for better performance.

The don'ts

McKinsey indicated that the sales force is the engine that drives revenue. No matter how patched up or spluttering that engine may be, the thought of overhauling it fills senior executives with dread. To keep sales flowing, companies will make piecemeal ongoing repairs as long as they can.

Yet extraordinary economic times force companies to take every opportunity to cut costs and arrest declining revenues and margins. Unfortunately, fear and the belief that it isn't possible to be both fast and precise, often result in two common mistakes: trimming only back-office staff and functions or instituting across-the-board cost cuts that include frontline sales reps. While both mistakes are understandable, they are likely to yield disappointing results.

Reducing back-office sales staff and functions in the belief that this will hurt revenues less than reducing the number of frontline sales reps may have worked in the past, but greater complexity has made support functions essential to effectiveness. Also, not all sales efforts are equal, especially in a downturn. It is crucial to determine where cuts will hurt customer perceptions and adversely affect their buying behaviour; otherwise, important investments will be eliminated.



The do's

Think and plan long term strategies could be beneficial inside the current uncertain environment. Increasing competition and more demanding customers coupled with today's financial crisis mean that firms require a more flexible and accurate CRM approach in order to survive. Atos Consulting, the business consulting arm of Atos Origin, and EFMA, the European Financial Management and Marketing Association, conducted an in-depth survey across 140 European financial institutions including retail banks, private banks and insurance companies on choosing the right CRM strategy to improve customer relationships in line with an organizations ambitions.

This rapport indicates that the CRM strategy should be at the top of the agenda and marketers should look at the different approaches to CRM, the implementation issues and the technology requirements. CRM is not only an effective tool inside the banking markets, it should be for all firms who focus on the long-term business relationship during the crisis.

The report highlights the following key conclusions:

- > **Reducing customer attrition remains a long-term goal**
Findings indicate that banks wanted to improve customer service in the future, whilst in reality their focus is principally on sales and profitability. They are therefore only likely to make a decisive move towards customer focus when their current product-focused approach starts to have a negative impact on the bottom line. The impact of attrition is apparent but combating it seems a long way down the companies' priority list. There does seem to be a shift in strategic focus as banks aim to reduce customer attrition in an effort to ward off the negative effects of the credit crunch, but we have yet to see this fully translate into operational reality.
- > **A marathon, not a sprint**
Although banks are aware of the strategic importance of CRM techniques, their focus is on short term (ad-hoc) projects. This generates poor response and low conversion rates. If firms continue to approach CRM in this way, the customer base for marketing campaigns will decline. The focus has to change from short term 'sales boost' successes to long term solutions that target a valuable relationship with both current and prospective clients.
- > **Human touch**
Companies continue to try to deliver a multi-channel capability to enhance interactions with clients. Although the range of channels will grow, as will interoperability between them for sales and servicing purposes, face-to-face contact is still very important. Human interaction is more effective in changing a lead into a 'real' customer than anonymous online and direct marketing campaigns. When selling financial services products, human interaction in 'closing the deal' will be an increasingly essential component of the front office sales effort.

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