



# LEADING IN TURBULENT TIMES:

Managing your customers

By Professor Jacques Horovitz - April 2009

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With the boom well and truly bust, how do you go about managing your customers in today's economic downturn? As part of IMD's series on "Leading in turbulent times", Professor Jacques Horovitz explains why now, more than ever, it's time to put the customer first...

When times are good and your company is growing, you tend to focus on markets – increasing market share or targeting new markets – and it's easy to forget about your customers.

While nobody enjoys trading in turbulent times, it is a good time to re-assess and bring your focus back to customer truths, rather than market truths.

### **The acid test**

In fact, operating in a downturn can be a good acid test of your company's strategy. For example, if your strategy is differentiation and you consider your company to have something unique to offer your customers, you will soon see that you did not differentiate enough if your customers now start to leave you.

In turbulent times your emphasis is different compared to times of growth. When you are experiencing growth you will concentrate on three areas: attracting customers; satisfying customers by delivering on what you promise; and keeping them.

However in a downturn the priority is simple – you put customer satisfaction before everything else. You need to think about the quality of your service, make sure you don't over-promise and ensure that every customer is happy. You need to care so much about your customers that they are not tempted away by lower-priced competitors.

## Maintaining the customer relationship

So how do you go about building and maintaining a strong relationship with your customers in troubled times? Consider the following three steps:

1. **Deconstruct**

Deconstruct your market customer-by-customer, segment-by-segment. What do your customers like about you? What don't they like? When is the last time you contacted them? When was their last transaction?

2. **Listen**

Every customer is important and you need to know their views and understand what they want. You can no longer think: "I don't care, I have other customers". Listen to what your customers are telling you and act on it.

3. **Adapt**

How can you adapt or innovate? Can you come up with a new product within your client's budget but still within the positioning of your goods or service?

The luxury goods market is a good example. In a downturn people may not be able to afford large luxury items but may wish to spend their money on smaller indulgences. Rather than stick to the big high-priced products, if a luxury brand can adapt and bring out new, smaller products, this is a way to keep the customer loyal and maintain that relationship.

These steps alone may not be enough to avoid losing a customer. And in challenging times it's worth considering whether there are any customers you can afford to lose, or any you should focus more of your attention on.

For example, you may want to focus your efforts on the customers who see you as a partner or as adding value to their business in terms of your market knowledge. These are the customers who are likely to stay with you whereas those that are focused simply on price are less likely to be loyal.

When there is pressure to discount your prices, you should remember that there are other options. If you know your customer well you might be able to offer added benefits that are normally not included in the deal, or work out a way to reduce their cost of usage. It will mean

empowering your frontline staff to play on these options and to weigh up the value proposition for each customer.

## Dos and Don'ts

In a nutshell, when it comes to maintaining your relationships with customers during challenging times,

### Don't...

- think markets any more, think customers.
- focus on simply attracting new customers, but on how to keep existing ones
- think in terms of price discounts, but about the whole “give away” – the additional benefits or cost of usage.

### Do...

- keep constant contact with your customers even when no sales transactions are taking place
- focus on the right customers
- adapt and innovate
- remember that although your sales might go down in the short term because every customer buys less, you will keep your customers in the long term.

If you stick to these rules you should be able to ride out the storm and keep your key customers by your side until the waters calm. And you'll learn a lot about your customers and your strategy along the way.

Professor Horovitz teaches on the Strategic Marketing in Action and Orchestrating Winning Performance programs.

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