

Using CRM to Win in a Recession

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Depending upon whose economic statistics you look at, the USA is either just entering a recession or about to. And when the USA sneezes the whole world catches a cold.. A recession has traditionally spelt bad news for customers, employees and other stakeholders as companies cut back on their spending. Particularly spending on customer-facing activities. In spite of this, many companies still don't survive.

But is cutting CRM costs the best way to cope with a recession? Often not, indeed, you can use CRM to gain an advantage over your competitors in a recession if you follow a few simple rules.

1. Understand customers' changing behaviour

Customers are under the same pressures you are in a recession. The natural reaction is to cut spending and batten down the financial hatches. That means their purchasing behaviour will change as they focus on non-discretionary purchases, better value products and low-cost services. You need to spend more on understanding customers' behaviour if you are to respond to customers with value propositions tailor-made for a recession. Just spending more on pushing the wrong products is not going to work.

2. Don't cut back on marketing spend

It is very tempting to cut your marketing spend as customers stop buying. But there are countless studies that show that this is the wrong response. As your competitors cut back on their marketing spend, maintaining your own allows you to reach more customers for less money. It often allows you to drive a harder bargain with desperate advertising media channels too. This not only increases your share of voice in the market and customer spend during the recession, it also prepares you for the customer spending rebound once the recession is over.

3. Get more from your CRM technology investments

You have all spent a bundle on CRM technology. When times are good, you hardly need to use it at all to grow your business. A rising tide lifts all boats as the saying goes. So much of it sits underused or even idle. One Swiss bank spent over Euro 1 million on a CRM system and hadn't even used it a year later! But when recession strikes, you need to think carefully about how you can use your existing CRM technologies to the full. That may mean changing data flows, work processes or work routines to really make use of the technology's capabilities, but there is nothing like a recession to focus the mind on doing the right thing.

4. Reassess your customer portfolio

As recession bites, customers who were previously profitable can easily tip over into being unprofitable. And customer value at risk from defection increases for all customers. This is the ideal time to use your new insights gained from understanding customers' changing behaviour to identify customers who are either unprofitable, or who you cannot really serve well enough to grow their profitability. You all have low-profitability, high-risk customers like these. I am not suggesting you should simply fire them, that is a bit too easy and in today's networked world, a risky thing to do. But you should look at raising prices to cover their costs, reducing service costs, outsourcing to low-cost providers, even creating low-end sister brands so that you can make a profit from them.

5. Take your business through a Lean CRM makeover

Rather than just cut costs, do what Toyota does and apply the lean principles to cut costs by cutting out non-value adding activities from your customer operations. Lean CRM starts with an understanding of what customers really value and then systematically works through the value delivery chain so that it is the customer who drives the whole process. My own experience developing Lean CRM at Toyota showed that it can reduce time to market by 50%, increase customer purchases by 100% and reduce costs by 50%. Just by getting rid of costly non-value adding activities.