

GS Insight

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Upside Strategies:

“Staring Down the Bear”

With leading U.S. economic indicators falling for three consecutive months, many businesses feel a squeeze and are facing difficult choices. How a company responds while ‘staring down the bear’ will determine which emerge better and stronger than before, which just hang, and which perish. However, *it is important not to overstate the gloom*. Before the recent rate cuts by the Fed, the consensus among leading economists was for slow (*not* negative) growth for 2001. Only one economist among more than two dozen surveyed by *The Wall Street Journal* predicted a recession.

Whatever the eventual reality, caution reigns in an uncertain climate. Many businesses have already trimmed their purchase plans and revised what now seem like overly optimistic forecasts. A number of companies, from Chrysler to Lucent, have announced deep cuts in their workforces and taken huge restructuring charges.

Uncertainty Creates Opportunities

Self-fulfilling prophecies notwithstanding, marketers and communicators must respond to the new economic realities and perceptions, both inside and outside the company. And they must move forward convinced that the need for communications remains high despite (*and probably because of*) the market uncertainty. That same uncertainty, in fact, will create many new opportunities for those with the vision and fortitude to seize them.

The best way to get a sense of the issues involved is to observe the good, the bad and the ugly of what other companies are experiencing. The implications for communications are obvious, though sometimes daunting. Consider the case of Chrysler. The company is reportedly losing \$1 billion a quarter and plans to slash as many as 20,000 of its 125,000 workers to stem the bleeding. Communications must respond to the internal pressures, shoring up confidence within the ranks, while at the same time shoring up confi-

dence externally as new leadership seeks to stabilize the company. Things do not have to get as bad as that for a publicly held company to feel the heat of the national media and experience communication challenges. Chrysler’s situation poses a far different picture than Dell Computer, which took a beating after the company posted a less-than-stellar forecast, as did many technology-oriented companies of late. Despite the media’s natural bias toward negativity (if a plane lands safely, that’s not news), Dell deserves accolades for damning the short-term ‘torpedoes,’ and making moves to build its reputation and market position.

One has to admire Michael Dell for his aggressive attitude and the company’s lean delivery model that helped drive market share up 2 percent last quarter. Though it was difficult to tell from the headlines, the company actually posted a 40 percent *increase* in 4Q sales. It’s clear that Dell remains committed to investing in its image. And communications deserves credit for making the CEO’s ‘throw-down-the-gauntlet’ attitude part of the story.

Investing in relationships is also a worthy strategy. Relationships are the lifeblood of business, and PR is all about creating and managing those linkages. While many companies become internally focused in the face of market weakness, there can be important opportunities to forge deeper links with suppliers, customers and key media — and to look to the broader market for new, value-adding alliances. Ford, for example, created AutoXchange, a stand-alone joint venture with Oracle in late 1999 as a new way to manage ‘upstream’ supply-chain services.

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Upside Strategies

1. **Look for ways to make your communications campaign work smarter. Make messages resonate across all media.**
2. **Cut the fat, but not the muscle. Consider turning up the volume of PR in your communications mix. It reaches a wide audience with high credibility.**
3. **Stay focused. Forego the 'feel good' tactics for those programs that will quickly lead to wider visibility and word of mouth.**
4. **Consider alternative pricing. If customers are pinched, make it "three easy payments."**
5. **Build the structure and alliances needed to deliver customer value without overbuilding, or building too fast.**
6. **If you can't manage the reality, at least try to manage the expectations.**
7. **Strive to maintain customer connections and other critical linkages.**
8. **Seize on opportunities left by the service gaps of your competition.**
9. **Monitor trends and anticipate the future.**
10. **Remain optimistic. The truth always has an upside.**

Then, last year, it established 'downstream' links with 'infomediaries' Priceline, Microsoft CarPoint and Yahoo!, as fresh points of contact for new customers.


Unleashing the Value

The underlying approach should be to make incremental moves to build the company during any slow periods while unleashing the value for your key audiences through aggressive communications. What customers (and investors) see or hear about a company can favorably influence them (even when tempered by the media's natural inclination toward 'balanced' reporting). A major mention or favorable case study in the business or trade media can go a long way toward building credibility with key audiences. Regardless of company size, market share is always easiest to gain when the market is softening and other companies may be backing down their communication expenditures.

It is important to maintain linkages with customers as well as financial and communication resources even as

budgets stretch. For smaller companies, customers can be a lifeline – and sometimes the last remaining tangible asset should a business fail. Yet there are scores of object lessons of poor customer communications in a squeeze. We've heard of Internet Service Providers pulling the plug on dial-up servers, and brokerage houses laying off dozens of brokers – all without so much as a proper e-mail notification to customers. TSR Wireless reportedly left some 2.5 million pager subscribers in limbo after a deal to sell the company evaporated. Companies should always try to avoid burning customers no matter what the circumstances. There may be an opportunity to sell their 'goodwill' or win them back following a reorganization if bridges have not been burned.

All this suggests that whatever shakeout, however mild, will tend to drive people up the value chain to those who can provide quality of service, to the brands they know, and to the companies that inspire confidence. When the squeeze is on, clarity and a sense of purpose always seem to be in

short supply. Communications can play a critical role in filling that void – articulating value, forging new linkages, and projecting the best a company has to offer. 

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