

## Is the 'credit crunch' recession threatening you and your business?

*Seven straightforward steps to bolster  
your sales, profits and cash flow during turbulent times*

- Is the fate of your business hanging by a thread unless you address significant business issues urgently to protect your sales, profits and cash flow?
- Is the fate of your own future in the balance?
- Are you running out of time and options?

The ominous 'credit crunch' represents one of the greatest challenges that many business leaders will face in their careers as they are entrusted with navigating their businesses successfully through a severe economic downturn. Some expert observers are already predicting that the developing recession will be one of the toughest business environments since the Great Depression of the 1920s. Across the world, business leaders like you are faced a 'perfect storm' of severe demand reductions, record energy prices, unstable financial markets and exchange rates -- all complicated by increased pricing and liquidity pressures.

If you're the CEO, CFO, head of a key business unit or managing director of a business, chances are that you are wrestling mightily with the impact of the recession on your sales, profits and cash flow. Life in a business that is struggling with such key strategic issues can be, on a personal emotional level, both difficult and uncomfortable. At best, life for an executive in such a business can be, as Hobbes once described, "nasty, brutish and short". At worst, your business day can make you feel like Sisyphus who had to push a boulder to the top of a mountain each day only to see it roll back down again and the following morning he had to start back over again. Your best efforts each day can appear to be futile and, ultimately, soul destroying.

### What Outcomes Can You Expect?

The confidence you gain in strengthening your business to withstand the pressures of the recession head on will ripple throughout all aspects of your life, not just your business. You'll be more proud of a business that is making a real difference in the world and is a source of spiritual and financial security for you, your customers, your shareholders and your employees. You'll see the outcome of your turnaround reflected in the hard numbers on your spreadsheets and reports, and you, as well as those around you, will enjoy the positive impact in your daily life.

### So, Why Haven't You Accomplished This Already?

Here are seven 'acid-test' questions for you to consider:

1. What are the top 3-5 decision factors your best customers use when making purchases?
2. What are the key benefits that you provide for your most valuable customers?
3. What's the customer buying process for the products/services that you sell?
4. What's the profitability of your business by your key customer segments, products, and channels?
5. Why do you lose sales to your competitors? What are they doing differently than you?
6. What are your performance criteria and rewards for your senior executives?
7. Is your current business plan working *as well* and *as quickly* as you need it to?

**If you don't have or like the answers to these 'acid-test' questions right now, then here's what you ought to consider:**

- 1) First, it's vital to know who your best customers are. Then, you need to understand the priority factors your best customers use when making purchases. This gives you a greater ability to attract their attention, create products and services that they are specifically looking for, and deliver outstanding value to them.

Many businesses don't know who their best customers are specifically, much less their purchasing priority factors. But once obtained, it's important to document these criteria and ensure they are understood across your entire organisation so that everyone can contribute to making your business better from a customer's perspective.

- 2) Your most valuable customers buy from you for particular reasons. At its simplest, either you solve a problem they have or you fulfil a desire. From your perspective, can you clearly state what a customer gains from using your products and services? Ideally, your key benefits should relate back to the priority factors from question #1. And, be sure to compare the benefits you offer to what your competition is offering so that you can focus on making your offer more compelling in the eyes of your target buyers.
- 3) Walk through each step of your customer buying process for the products/ services that you sell and map it out on paper. You want to better understand how they think and feel, as well as what they experience from your business, as they go about arriving at their final buying decision.
- 4) What you learn from understanding the profitability of your business by your key customer segments, products, and channels might be surprising. Knowing what 'wallet share' you have of their spending for your category of products and services allows you to identify and focus on those segments that are most profitable and have the highest profitability potential. Typically, the top 10-20% of customers provide around 50-80% of the potential value within your business sector. Focusing on the specific needs of the most valuable customers puts you in a stronger position to attract more of their business.

Also look out for the 'high-potential' customers (high spenders – but not with you). Understanding who they are and how you can win an increased share of their wallet can have a huge impact on your profitable revenue growth.

For your customers who fall into the 'breakeven category', you'll want to consider how you can make this a more profitable customer segment. For the unprofitable segments, you'll need to devise a plan to either convert them into profitable customers (by 'upselling' them or reducing your 'cost to serve') or simply exit this customer segment altogether.

- 5) Unless you identify the true root causes of why your competitors are outperforming you, it's all too easy to spend huge amounts of time and effort on fixing the wrong issues. Questions to consider include:

- a. Is your pricing competitive, relative to the competition and the value you provide? If not, perhaps you need a stronger offer or lower prices.
- b. Can you clearly communicate your offer so that potential buyers understand why you are the best choice? If not, you're making it harder for potential buyers to do business with you.
- c. Do you need to have a stronger 'value proposition'? Sometimes customers choose competitors because they are genuinely a better choice. If this is true for you then you need to improve the specific results, experiences and outcomes your customers get from using your products and services. Start on improving your performance on the most important purchasing criteria for your target customers.

Having clarity on who your ideal target customers are, their key decision factors, a clear and compelling offer, and effective means to delivering your offer positions you to win back sales from your competitors.

- 6) Your criteria for performance and rewarding your senior executives appropriately must be explicitly stated *and* aligned with the business strategy. And, they are best constructed so that rewards are based on progress toward long-term objectives and shared as a team.

Danger happens when the goals are contradictory among teams, however. For example, if the sales team is being rewarded on revenue alone (then you can expect to get more clients who are unprofitable). If cost-cutting is the only strategy, then the service department is likely to cut costs. But if these cost reductions hit service quality, you'll find that you end up losing valuable customers over service issues thereby undermining your overall business profitability.

- 7) Make your plan clear, simple, and actionable and one that your team contributes to making. Businesses rarely fail because of lack of effort. If you are going to dig yourself out of the 'profitability quicksand', then you need to get your executive team focused and united in addressing what really matters. More often businesses burn themselves out with incredible effort on initiatives that don't get traction on what really counts.

### **Is it Time to Throw in the Towel?**

Let's be honest: you should throw in the towel if you are stuck in a structurally unprofitable business. Back in the 19th century, the canal networks were overtaken by the technology breakthrough of the railways. If you were running a business repairing barges, then the prospects for your business were not good. That said, it is unusual to find a business that cannot deliver sustainable profits. Even in the most commodity-driven situations, such as providing cement, successful businesses such as Cemex have found a way to enjoy sustained profitable growth.

## Practical Solutions for Protecting Your Profitability

At Close Quarter, we have combined powerful, proven techniques from the world's leading business schools, consulting firms, business 'thought leaders' and — most importantly — businesses just like yours, to create a proven process that we have applied successfully to some of the world's leading businesses.

The result is our five-step Close Quarter Profitability Turnaround Process which is based on more than a quarter-century of experience. To be clear, it is not a silver bullet. It is not a 'miracle cure.' But it is a proven process that we believe can treat your business condition and give you the healthy (and profitable) outcome you desire.

### The Close Quarter Profitability Turnaround Process

#### Step 1 – Know where value is being created and destroyed.

In this initial step, we benchmark and diagnose where value gets created and destroyed in your business, both from a customer and a financial perspective. We analyse your overall business model and then 'slice and dice' to understand your current value creation by customer, product/service line, business unit, channel and geography. Many businesses already have carried out similar analyses, but sometimes the complexity of their financial models can mislead business leaders.

*Example: One client's financial models implied they made at least 50% gross margins on all contracts. We discovered that, for the past 10 years, most business had been written at a loss.*

#### Step 2 – Take out costs intelligently and aggressively.

We work with your teams to identify and take out your overhead costs and reduce your cost of sales. Like my own waistline, it's all too easy for costs to increase bit by bit over the years, but these additional layers of fat can threaten your business with a 'heart attack' if not managed carefully. With some of our larger clients, we've found that the sophistication and complexity of their procurement processes can mean they've overlooked substantial cost-saving opportunities.

*Example: As the largest purchaser of a particular category in the world, one client assumed they had the best possible purchasing terms. We were able to help them achieve cost savings of more than 25% within 120 days by benchmarking their own internal country-by-country and cross-group purchasing terms.*

You may wonder why, if we focus on profitability, we start by seeking out opportunities for cost reduction. It's a matter of simple financial arithmetic. The higher your overhead costs and the lower your margins, the greater the break-even point for your business. If your margins and cash flows are weak, accelerating your 'revenue engine' first can quickly lead you into a cash flow crisis and is a frequent cause of business failure.

#### Step 3 – Enhance margins by giving customers what they really want.

Many businesses struggle due to intense pricing pressures. We believe this stems from the combination of two key issues:

1. Your customers do not appreciate or understand the value of the products and services you provide.

2. Many businesses over-engineer their offerings, instead of focusing on giving their customers more of what they really want and value most of all.

This second point is especially critical. The more sophisticated, expensive and technology-driven your product and service offering is, the greater the risk you are providing expensive features that add limited value from your customers' perspective.

You need to establish correct pricing, and frankly, this is rarely done right. Your customers must be convinced that you offer great value for the money, which requires that you offer them what really matters to them at a highly competitive price. To help, we eliminate the failures and problems that most irritate your customers, issues that are often the root causes of declining customer satisfaction.

We also work with you to better communicate the value of your service. That depends, of course, on not 'putting lipstick on a pig,' but rather delivering superior products and services. As an example of this principle, SatMetrix Systems, Inc. ([www.SatMetrix.com](http://www.SatMetrix.com)) surveyed executives and customers and found more than 80% of senior executives were convinced their firms provided superior service and yet only 8% of their customers agreed.

*Example: We enabled one technology-based firm to reduce their substantial service costs by 28% within 90 days by eliminating the root causes of customer defections and common customer complaints.*

#### **Step 4 – Tune up your 'revenue engine' for increased performance.**

First we make sure your business is on firm footing. Once you understand your cost structure, reduce your overhead costs and increase your margins, it's time to improve your sales and marketing processes — what we call your 'revenue engine'.

We work with your sales and marketing teams to diagnose and benchmark your current sales performance, customer feedback, your customer value proposition, core marketing messages and overall sales process. By identifying gaps and opportunities, we help your team put together and execute a 90-120 day plan to increase new business by at least 5-10%.

*Example: We enabled one financial services business competing for large-scale corporate deals to segment their target market and to be able to create compelling propositions specifically targeted for each segment. They segmented their target market into 'sharks' (large, price driven), 'dolphins' (large, value proposition driven) and 'sardines' (medium sized businesses with less negotiating power). This enabled them to grow their business with more profitable contracts and avoid being bullied into signing large-scale unprofitable contracts.*

#### **Step 5 – Long-term, accelerated growth.**

In this final step, we work with your leadership team to identify and seize your most attractive growth opportunities. We look at both organic growth within your existing business and potential acquisitions. Our experience is that keeping your focus on your core business and customers is the most promising means of delivering sustained increases in profitability. Because this may seem dull, many businesses get sidetracked with sexy 'out-of-the-box' thinking and 'transformational' programmes, most of which end in tears and disappointment.

Tesco provides a helpful example of a focused growth strategy. The approach of the UK store group is a relentless focus on improving their core proposition. They have two simple strategic mantras: ‘Every Little Bit Helps’ and ‘Would I Buy It?’ which guide their every action to continually improve their customer proposition. In the 1990s, Tesco increased sales by 250% to finish with £18.8 billion revenues and a 16% market share. By fiscal year 2006/ 07, this had grown to £46.6 billion revenues and 30% market share, with an estimated 1 pound in 8 within the UK being spent in Tesco stores.

***Example:** We helped an international financial services provider identify a high-growth opportunity to attract retail funds in the UK. We helped them define what a compelling business model and proposition would look like and how to launch this business successfully in the UK. They attracted over £1 billion of savings funding in the first 18 months.*

In summary, our five-step process is quite straightforward and helps you answer your most fundamental business requirements. We help you:

- Understand where value is being created and destroyed in your business from a customer and financial perspective.
- Create a compelling customer proposition that truly creates superior value for your customers.
- Ensure that you have effective business processes that really do deliver your compelling customer proposition on the ground to your customers.
- Ensure that you have an efficient business machine to provide your proposition at an attractive price by helping you reduce overhead costs, lower your cost of sales and release working capital.
- Put in place an effective ‘revenue engine’ that increases your sales, accelerates your profitable business growth.

### **What Is It Costing You to Stay on Your Present Course?**

In most cases, you do not require that you reinvent your business completely. In our experience, even struggling businesses have most of the key components for success already in place. But if you don’t connect these components together properly and fix the most critical gaps then you can expect trouble, on-going struggle, poor morale and ultimately your business will experience vanishing profits and evaporating cash flow.

### **The Perspective from Close Quarter**

At Close Quarter, we understand the challenges you’re confronting and the pressures you’re under. That’s because for well over a decade, we have specialised in helping businesses like yours — businesses that are quite literally fighting for their lives. We work with enterprises of all sizes, from regional companies to industry leaders with billions of dollars at stake. Of course, no single solution works for every client, but over the years we have developed the experience necessary to assess your situation, apply well-tested principles, and implement proven strategies. In short order, we can help you turn your situation around and find clarity in the midst of organisational and operational chaos.

But you don’t have to take our word for it. Take a look at the actual results we’ve achieved for our clients. Over the past decade, we’ve helped:

- AXA UK overcome losses of more than £100 million to profitability — in one year.
- AOL Europe transform performance from losing more than \$600 million per annum to profitability.
- Dendrite International double share value from \$8 to \$16 — in one year.

What we've learned over the years is that 'miraculous' turnarounds are not miracles at all. There is a system underlying the problems facing struggling enterprises, and there is a system that can help you rise out of tumbling profits and disappearing cash flow.

### How Can Close Quarter Help?

You may be wondering how we can be so confident that we can help you, given your unique situation and set of business challenges, especially when we have not worked with you before. To explain our confidence, we often compare our consulting services to the services of a specialist heart surgeon.

If you needed a coronary bypass, in principle you could go to your general practitioner. But if your life depended on a successful outcome, you would want to go to a specialist in your specific condition. You would want a surgeon with a proven process, someone who has successfully completed numerous procedures just like the one you need. Likewise, when you need to protect your profitability in difficult times, you need an experienced expert.

Helping business leaders like you achieve profitable growth is our specialty — and we are so confident that we can strengthen your business performance inside of 120 days that we provide you with a 100% unconditional satisfaction guarantee.

### Wondering How We Can Make That Promise? Check Out Our Results...

I'm sure you must be wondering at this point can a small firm like Close Quarter really help? Wouldn't you be better off going to one of the global consulting firm brands who've been around for 80 years, have offices in dozens of countries and who can be found sponsoring the world's greatest sporting events. I guess it boils down to do you need a brand name you can blame if it all goes wrong, or do you want to be a winner? **We work with senior executives who uppermost want to win.**

For more evidence of the outcomes you can expect from working with Close Quarter, visit our website, where you can listen to executives we have helped talk about their experiences. You can hear Joe Ripp, President of Dendrite International, provide a detailed explanation of the challenges overcome and the strategies we helped his company deploy to double shareholder value in a year. That conversation is available at <http://www.closequarter.co.uk/Interviews/JoeRipp.html>.

You can also listen to Philip Rowley, CEO of AOL Europe, describe how, with our help, he turned around AOL Europe from \$600 million losses to profitability. This interview is at: <http://www.closequarter.co.uk/Interviews/PhilipRowley.html>.

And listen to Andy Homer, Group Chief Executive for Towergate, explain how we helped him turnaround AXA UK from losses of £100 million per annum and how he has gone on to grow the Towergate Group into £3 billion in value within 5 years at <http://www.closequarter.co.uk/Interviews/AndyHomer.html>.

### Contact Us for a No-Obligation Conversation

John Corr, the Managing Partner of Close Quarter, would be happy to have an initial, 'no cost – no commitment' conversation with you to help you understand how the principles discussed here can be applied to your specific situation and business.

An initial conversation can be held by phone or in person in London, if you prefer. Typically these conversations take 30-60 minutes.



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### About John Corr

For more than 25 years, John Corr has worked with leaders of businesses who are uncomfortable with their current profitability and want to take action to turn around their situation to increase their revenues, profits and growth.

John has helped leading firms including: AOL Time Warner, AXA, Barclays, Capital One and Kingfisher in their international operations in the UK, Europe, USA and India. His earlier career includes senior executive positions with Nationwide Building Society, where he was responsible for more than £5 billion per annum mortgage, savings and investment new business sales.

### About Close Quarter

Close Quarter helps businesses improve their profitability by aligning their organisations on delivering superior client value - the ultimate driver of profitability.

Our ability to see clarity in the midst of overwhelming complexity enables us to integrate innovative problem diagnosis with effective solutions. Our specialty is helping complex businesses deliver profitability turnarounds and revenue growth, even when all else has failed.

But don't take our word for it: Listen to the CEOs of major corporations we've helped tell the real story in their own words at:

<http://www.closequarter.co.uk/cq-thought-leadership.html>

### Helping you and survive and prosper through the 'credit crunch' recession

The 'credit crunch' recession may bring about difficult times. But often in life, the toughest of times act as a catalyst to bring out the very best in you and the team around you. We're confident that by applying the key principles in the Close Quarter Profitability Turnaround process that you will be able to accelerate your ability to make the vital decisions, focus your efforts and take the key actions required to enjoy greater sales, profits and cash flow through whatever 'credit crunch' challenges come your way. **My very best wishes for your future success. John.**

John Corr (Managing Partner – Close Quarter)