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The 2010 "New Normal" Business Environment

The business environment has changed and will not "return to normal"; instead, a "new normal" is emerging. The U.S. and the world economy have been in a recession for at least a year, and the media is starting to discuss a slow recovery. Whether the recovery is weak or robust and whether it is short-lived or long-term, there is no doubt that the business environment has changed.

For example, although credit will likely improve vs. the recent history, it will not return to pre-recession availability. Although businesses have significantly reduced workforces and are unlikely to make significant further cuts (after all, there are only so many people in the business, and someone has to produce, ship, and bill product), they are also unlikely to go on a hiring spree to build up to support pre-recession sales volume levels (with the exception of a few recession-proof industries, sales remain down). Lastly, in our consumer-based economy, we have increased our savings rates from negative numbers to 5% (thank goodness; however, it does mean we are spending less) while the baby boomer generation is beginning to retire (which coincides with a natural reduction in spending needs), and so it is unlikely overall sales volumes will return to the "old normal". However, don't despair, with a different approach, you can leverage the new environment and buck the trend.

So, what is this "new normal"? In my research and through observation in working across multiple industries and continents, I've seen a return to fundamentals, which includes three core principles: 1) Cash is king; 2) Service is paramount; 3) Focus has shifted to the pragmatic and execution (vs. strategy and philosophy).

1. **Cash is king:** During the recession, cash has been king, and I don't see this trend changing. If sales do not return to pre-recession levels due to a reduction in consumption demand, there will continue to be pressure on cash flow. Additionally, there is a potential for increased costs, thus squeezing cash from both directions.

For example, commodity prices could continue to increase due to increased consumption in emerging countries. In China, car sales are increasing by significant numbers - after all, most people do not currently own a car, yet they are beginning to have the money and/or credit to be able to afford one. In another example, taxes are likely to increase. With the significant budget deficits and reduced revenue, both the States and Federal government are suffering and will need to find a way to close the gap. Therefore, higher taxes are likely.

Thus, it's likely that cash will remain king and become part of the "new normal". If you and your company are ahead of the curve and tightly monitoring cash and are one of the only ones to have cash available for significant ROI (return-on-investment) projects, you'll thrive.

2. **Service is paramount:** As businesses struggle to stay afloat and are distracted with day-to-day operational needs, it can lead to order fulfillment problems and a reduction in service levels. Also, as consumers and businesses are cash constrained, they are likely to become more focused on receiving a total quality experience when they choose to purchase. Thus, it is likely there will be a significant opportunity to gain market share when you are the

one who is able to provide significant value with superior service. Those who prepare and consistently provide a total quality experience will be ready to leverage the "new normal" into increased market share.

3. The pragmatic approach & execution: Solid execution / implementation skills will gain popularity once again. In the "new normal", function will rise in importance over form. During booming times, form is valued - after all, the exact level of profit or cash flow is less critical when plentiful. Thus, it is enticing to have the latest, greatest gadgets, software features, processes/ programs, etc. Now, what matters is bottom line results - and timing. Suddenly, those people with the fancy, 9 color graphic timelines who tie up project teams in endless meetings are thrown out and replaced by those with a simple plan that delivers.

Understanding the "new normal" can be quite valuable, as it doesn't have to be bleak and depressing. Instead, there are significant opportunities for those who figure out how to thrive. Stay tuned for next month's issue for tips, techniques and strategies to thrive.

Lisa's Tips: Marketing Tips

Not only is marketing essential during the recession, it will remain so during the "new normal". Be one of the few to stand out in the crowd and leapfrog the competition by focusing on marketing.

1. Sales and marketing are not identical: Often, I hear confusion about this topic. Marketing is attracting customers to you. Think of this - if you are doing an outstanding job of marketing with this definition in mind, there is little need for sales in the traditional sense.
2. The statistics: According to McGraw-Hill research, those businesses that maintained or increased investment during the 1981-82 recession averaged higher growth during and following the recession.
3. The power of stories: Who doesn't prefer an enticing story vs. boring facts and figures? There is no better way to attract customers to you.
4. Word of mouth: Is there a faster way to spread information? (especially in today's digital world) Consider how quickly your teenager knows the skinny on the latest movie, song etc.
5. Trust: Trust and credibility are critical in today's environment. Do you prefer to buy from those you trust? How can you show your customers, suppliers, employees etc that you are trustworthy?
6. Provide value: Nothing attracts shareholders, customers, suppliers, and employees like value. Brainstorm several unique ways you and/or your business could provide value.
7. Understand your customer: What could be more important? After all, the only way to provide value is to know what is valued.

Recommended Reading

"[*Financial Reckoning Day Fallout: Surviving Today's Global Depression*](#)" by Addison Wiggin and William Bonner - an interesting view of the current economy from the historical perspective. Whether you agree with the theories or not, it is a fascinating read of economic history.

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