

How to find revenue in an economic downturn

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Revenue growth is important, no question. But at the moment, says Richard Carson, partner in charge of the customer strategy practice in Canada for Deloitte, it is about stabilizing revenue and making your costs as efficient as possible. "We aren't using the word 'growth' any more. We are talking about efficiency. You have to survive these times we are in."

In effect, there are two things small business owners can do: Sell more to existing consumers or find new customers in new markets. "My first word of advice is: Don't give up on your existing customers too soon," Mr. Carson says.

Becky Reuber, professor of strategic management, Rotman School of Business, agrees. "The fact is, it costs more to acquire a customer as opposed to service an existing customer, especially if it's a new revenue model. You have to figure out who they are and what their needs are, and you'll have to convince them that you will satisfy them. That's three extra steps and they are all costly. Right now, debt is very hard to get so financing that is going to be hard."

In other words, make sure you are leveraging existing customers to the full. "In this day and age, word-of-mouth referrals are incredibly powerful because they are credible and don't cost anything. Use your customers as an asset, as advocates for you," Mr. Carson says. "Talk to them, ask them to refer your services, maybe give them incentive to do so if it's useful. It can be family and friends or their extended business network. Customers who like you are often on your side and willing to help. That has huge power."

And make sure you are providing great service. "Understand their needs, what they are dealing with and try and make it easier for them to do business with you," says Beth Wilson, national leader of KPMG Enterprise. "Listen for clues. Maybe you could modify your product or service to better serve them and add more value. Maybe you can modify price. Don't give up on your customer base because demand is falling. Listen carefully and adapt and change as needed."

Adapting could lead to finding alternative sources of revenue within your traditional customer base. Start by learning everything you can about existing customers in terms of their financial situation; in terms of whether what you are supplying is a need-to-have or a nice-to-have, Ms. Reuber suggests. "If it's a need-to-have, then you have more flexibility. If it's a nice-to-have, the question is how nice and where are you on that dimension? Obviously, if it's a frill and completely discretionary, you might want to consider whether you can offer existing customers a no-frills version of what they are getting now and what that might look like."

To do that, you have to have a good idea of what your customers want from you. See if you can save them some money. For example, if it's a product, is there customization attached to it that you can modify to help them save money?

You also want to make it easy for them to come back to you if they have to bow out for a while. "For example, keep their information on your data base so all their data preferences are in place when they come back," Ms. Reuber says. "Because you've got them you can send them periodic messages about what you're doing and special offers [available], so you stay on their radar."

Speaking of radar, it is important to stay in the market and maintain your presence. "Everyone is cost-cutting and people will look to pull back on marketing in tough times," Ms. Wilson says. "In fact, there has already been a reduction in advertising dollars. Don't exit the market completely. Keep your brand out in front so that as demand picks up your brand is front-of-mind for potential customers."

This is a good time to explore new channels of getting your message out -- such as social networking, for example. "If nothing else, in the next five or 10 years it will change the way we do things, but short-term, it might be an opportunity to get new customers," Mr. Carson says.

If your customers are businesses, think about whether you can have a consumer-facing aspect to what you are selling. And vice-versa.

"If you are ready to go after new markets, understand the reasons you succeed with your existing customers and leverage them. Be clear about who your current customers are in terms of their segment and profiles and find similar customers in new markets," Mr. Carson says. "You have a successful formula, work it. Find companies that like and act like your current customers in other markets. The probability is you will do well with them, as well. This is not the time for a shotgun approach."

Re-examine your core value proposition. Often, one or two aspects of your business drive value; find out what they are then adapt the remaining parts of what you offer to go after new customers as you need to. "This will maximize your chances of success with the new customers," Mr. Carson says.

Think about markets outside Canada. "Emerging markets still present an opportunity for Canadian businesses to grow," Ms. Wilson says. "Of course, access to credit will be a challenge, but there is capital out there to be accessed. Private companies tend to shy away from equity deals because they don't want to give up total control, but this is not the time to limit your options."