

Revenue Crisis! Is the Root of the Problem Really the Economy?

By Susan Felix

Recent world events and current economic conditions cast a long shadow of uncertainty as to how long it will be until corporate spending turns around, resulting in substantial increases in revenues for many businesses. However, even in the toughest times, it is important to take a step back and look broadly at the external industry landscape and at internal company operations to ensure revenue generation and profitability are being maximized.

We recently worked with a \$30 million subsidiary of a multinational corporation operating in a relatively tight knit, booming industry. The company was not growing as rapidly as expected by internal standards or in relation to its industry or competitors – it was experiencing a revenue crisis.

The root of the problem was originally described to us as too few sales leads and the need to move the company's marketing efforts to the next level. However, the executive team was quite skeptical at investing in additional marketing programs.

As we interviewed and worked with the executive team and key players in the company, a number of common themes surfaced. The importance of these issues far outweighed the need for additional sales leads or the implications of the changing economic climate.

Specifically,

- ▲ Uncertainty prevailed as to whether each product area was selling pre-packaged products or custom products.
- ▲ Customer satisfaction was extremely low, and the company's reputation for poor quality results was widely known throughout the industry.
- ▲ The staff was spread thin over too many products with limited functionality. Each product generated small amounts of revenue, and the number of people working on each product line was very low in comparison to industry standards.
- ▲ Promises to deliver product functionality were out of proportion with the results experienced by customers.
- ▲ The quality assurance group was unable to acquire the needed approval and budget for adequate resources to perform testing before delivery.

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These issues were contributing to the company's faltering sales revenues. In fact, the sales team was satisfied with marketing's efforts and felt that they had an abundance of quality leads. It faced key challenges in overcoming the company's mediocre reputation for quality, finding good reference accounts within the client base and meeting customer expectations after the sale.

In reality, the organization's internal operations, policies and procedures were contributing to the low sales revenues and limited company profitability.

The Road to Increased Revenues

To recover from this revenue crisis, the company needed to get back to basics:

- ▲ Clearly define and communicate its business model.
- ▲ Restructure the business to focus on core products and specific target markets with the greatest market and profitability potential.
- ▲ Identify key executives and individual contributors who understand the required evolution and place them in leadership roles.
- ▲ Resize the surviving product organizations and invest in products with long-term revenue potential.
- ▲ Drive product innovation based on customer needs and willingness to pay for the value provided by the products.
- ▲ Instill a philosophy of product quality throughout the organization – from product inception through delivery and ongoing customer support.
- ▲ Refine internal product testing procedures and invest in the required tools to ensure quality. And partner with clients in early product testing programs.
- ▲ Recover customer satisfaction and establish a solid base of extremely satisfied reference customers, while understanding the cost-benefit analysis for each commitment made to customers.
- ▲ Create account management positions to champion the customer's needs within the organization.

- ▲ Initiate an ongoing customer satisfaction program to ensure the right issues are addressed promptly.
- ▲ Tailor low cost, high impact marketing programs to address the needs of specific target markets.

The Results

By restructuring its business, the company is now able to focus its attention and valuable resources on the most profitable market opportunities. Making the tough decisions, implementing a strong management team, and persistently driving towards directed change has set the organization on the road to becoming a major and respected player in its industry.

These changes also establish a strong foundation for future corporate growth. By focusing on specific target markets and establishing a highly satisfied customer base, the company has set the stage to up-sell and cross-sell additional products and services to its customers and to leverage all of the benefits of word-of-mouth referrals to new prospects. This results in significantly more cost-effective marketing programs and higher levels of profitability.

Summary

While the challenges experienced by each business are different and economic times can have a substantial impact on the bottom line, this case study illustrates that internal operations must be synchronized with industry and market needs, corporate direction and customer expectations. Only then will revenues and profitability be maximized under any economic conditions.

Be sure to ask yourself in times of revenue crises: Is the root of the problem really the economy?

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