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Surviving a downturn

IN TIMES of recession, what can companies do to accomplish more? The answer is to innovate by doing more with less.

Here is what you can do:

■ Increase your turnover

During a recession, most people concentrate on cutting costs to maintain profits. During a boom or recession, there will always be some people who will make money. Instead of cutting costs alone, companies that innovate during a recession manage to increase their profits.

■ Manage your manpower

When cutting costs, most companies tend to cut manpower costs proportionally throughout the company. This benefits the poor performers and penalises the contributors.

Furthermore, when the economy recovers, these companies that have cut back on staff are unable to adapt quickly or capture new opportunities. It gets worse if the company lost productive workers.

■ Smarter cost-cutting

Cut costs in a smarter manner. Segment cost items in greater detail. This identifies the activities or jobs that do not add value to the company's offerings. Cut features that are not valued by the customers and involve a cost to the company. This segmented approach also identifies loss-making customers and loss-making products or services.

Challenge conventional wisdom to stay profitable in a slow economy



Adopt innovative measures to increase profits, rather than just cutting costs

■ Irregularise pay cuts

Sometimes, companies cut salaries by 10 per cent for all staff to reduce wage costs. A better approach would be to adopt an irregular approach. For example, reduce wage costs by having a higher percentage salary cut for senior management, rather than lower-paid operations staff.

■ Use consumer psychology

When customers make a decision to use a product or service, they usually do so at one of the three different levels of loyalty.

The first is the rational level, where customers look mainly at performance and utility values. The second level is the emotional level, where appearances, feelings, lifestyle and status play an important role. The third level is the significance level, where the customer is looking for an enhancement in his life, service to the community or protection of the environment.

Companies should reposition their offerings to engage the customers' emotional and significance levels. For example, customers may like a certain coffee outlet because it is near to their home or workplace. The coffee company can enhance this first level of loyalty (convenience) to the second and third levels by developing the outlet into a welcoming place which is associated with memorable social ex-

periences with friends.

■ Find new customers

Companies should look at how they can convert potential or non-customers into new customers. Potential customers are usually obstructed by factors like price, distance, ease of use or timing. By removing these obstacles, companies can encourage them to become loyal customers. They should also explore the opportunity of converting the non-customers by finding out their additional needs and fulfilling them.

■ Imagine it's a boom

Make a list of what the company should be doing in a boom, such as upgrading and expanding manpower and innovating products and services. Then, prioritise the items and see how the company can achieve similar outcomes without significantly increasing costs.

■ Changing attitudes

The attitude of a company may prevent it from tasting success. One of my personal mantras is: "There is no such thing as a useless idea. We only need to find the situation and the person who can benefit from it." Another is: "never be satisfied with the first answer or solution".

By exploring these options, your company will thrive and be ready to take on more opportunities when the good times return.

Article by Lim Liat, a trainer with NUS Extension, which will be running courses on innovation throughout the year. For details, contact NUS Extension on 6338-8400 or visit www.nus.edu.sg/hex/