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Preparing for the new normal

You've spent the last year or so battenning down your hatches in response to the lousy economy. Now signs of a bottom are showing up.

Of course, reaching bottom does not mean a recovery is imminent. Regaining a healthy housing market, reducing unemployment, and growing consumer spending will take time. Just look at the 1991 recession when 38 months passed from the bottom until housing starts regained a healthy run rate of 1.5 million.

No matter the trajectory of the recovery, it's time to start thinking about what the post-recession world will look like. The real issue to understand as a business owner or senior executive is the character -- the personality -- of the economy on the other side of the bottom. Will the experience of this recession cause the participants in our economy to retrench, to act differently? Or will we simply resume life as before? Just what will the new normal look like?

The longer this recession lasts, the more likely individuals will adjust their behaviors. Only a slight shift in attitudes toward products, companies, and spending can significantly impact the millions of interactions that make up our economy. Combine this economic effect with emerging generational differences, and it's easy to see that tomorrow may not be like yesterday. Such changes may have huge consequences for your business unless you prepare for them.

Hopefully in surviving this downturn you have not left your company's strategy -- your plan for the future --

unattended. Opportunities abound. Now is the time for courage. History proves the bottom of an economic cycle to be a fertile time for new business ventures. In earlier downturns brave entrepreneurs started great companies like FedEx, Apple, Microsoft, and Southwest Airlines.

Possible outcomes

Here's what some futurists say about consumers' reactions to this recession and possible outcomes:

People are simplifying their lives.

Quality will replace quantity as materialism and its impact on the planet becomes a more significant concern.

People yearn for simpler choices.

Too much variety and complexity in purchase decisions are anathema. Time is of the essence; back to basics is the objective.

People want value for their money.

We are entering a new era of thrift. Value will be defined as more for the same, the same for less, and less for even less.

People need reassurance.

They will buy products and services from companies they trust. A face-to-face human connection will trump technology in delivering that need.

In short, these futurists say that the go-go years are over. People are seeking safety, permanence, and security not only from their own actions and those of their government but also from the companies they deal with. For those companies whose products don't match these new definitions of value, simplicity, and quality, this vision of the future may not include them.

Wood products trends

What could these emerging trends mean for the wood products industry?

Return to mass production. As consumers grow more value conscious, a move toward lower-priced, functional products could accelerate. Think Ikea. Their low prices are afforded by huge volumes made on high-speed production lines.


More affordable customization. Simplifying semi-custom product lines could impart more value at lower prices.

Use of new materials. Lightweight panels, for instance, could provide mass with less material thus reducing a product's cost and environmental footprint.

More local production. Changing global economics combined with the creative use of technology could mean a rebirth of domestic manufacturing.

What should you do to prepare for the new normal?

Know your existing customers. Every business, new or old, starts with a customer. Now more than ever you need to understand how your customers define value and are responding to that definition. Find out if their purchasing decision process has changed and whether the attributes you sold on before the recession are still important.



More local production
and affordable
customization are
possible.

Acquire new customers. The latest economic crisis, like others before it, disrupted the status quo. Companies have retrenched, cut their work forces, idled plants, stopped buying new equipment, and changed their processes to fit the times. Other firms have disappeared. In doing so, they may be leaving customer needs unmet. Put on your marketing hat and discover how to deliver those needs profitably.

Modify your market segmentation accordingly. Your customers are not a single homogeneous group. Sound

marketing practice requires that you segment them by their purchasing criteria, or why they buy from you.

Innovate new ways to deliver value. It's not about inventing the next iPod but rather about being the best at what you promise to deliver.

Simplify your product line. Make it easy for your customers to select from and price your offering. Choice and customization should not be over-

whelming. Some experts are predicting the return of simple choices with few options.

Adjust your sales force and distribution. If the recession killed off your independent reps, commission salesmen, or distributors, recruit replacements immediately. Employ new distribution channels that best fit your new products/markets.

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RAYMOND'S VIEW

Concentrate on costs. The flight to value will put pressure on your prices. Staying on top of productivity, leaning out your processes, and watching material costs will remain as important as during the recession.

Develop key lead indicators. A recovery can bring explosive growth. To stay ahead of the market you should pay

attention to the demand indicators for all of your products, especially those new introductions brought out for the new normal.

Be a first mover. Most of your competitors will not gear up until the talking heads on the evening news say the recession is over. By then you should be well into your recovery plan.

Competing in this transforming economy requires a reassessment of

all of your business processes from product development, promotion, pricing, and merchandising to customer service. Ensuring that your offering – the value proposition that defines your company – aligns with the needs of your target customers remains a non-stop job.

Bottom Line: In the new normal, business as usual will not cut it. As always, every product and process in your company starts on the road to obsolescence the minute they are launched. So think like your products are obsolete, your processes inefficient, and your customers gone. ●

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