



# Engaging the customer: The new rules Recession requires rethinking

Written by Teresa J. Krohn

Life is different now. Go into any mall in America, and you will find fewer shoppers, less merchandise, and more up-front parking. Go to Goodwill, and you will find a crowd of deal-seekers. In response to the recession, consumers are legitimately questioning a set of standards and values that don't make sense anymore and altering their purchasing habits as a result. The pendulum has taken a long swing backward. When it starts to move forward, the new reality for consumers and businesses will be very different than the one they have known.

In December 2008, national-trend forecaster Faith Popcorn predicted 2009 would be "a year marked by unprecedented fear, anxiety, and uncertainty." According to Popcorn, this recession is not a momentary correction, nor a down cycle. What we'll be deciding in 2009 is whether we'll find a different way to set our priorities, through a new set of rules of engagement. How America's business community embraces these rules will define its success or failure.

Popcorn's rules of engagement are defined as the four R's—reclaim, retrench, reset, and reinvent.



## RECLAIM

With the toppling of iconic big businesses, consumers are reframing their relationships with companies.

You don't have to look far these days to find examples of icons toppling. In 2008, we saw the likes of Lehman Brothers, with assets of \$691.1 billion, and Washington Mutual Bank, assets of \$327.9 billion, file for bankruptcy—the two largest filings since 1980.

With the reluctant passage of the Troubled Assets Relief Program, taxpayers saw financial institutions receive billions of dollars of government money to keep them

afloat. But what exactly were taxpayers funding—institution solvency, executive bonuses, or expensive corporate gatherings? An outraged public easily convinced the powers that be to crack down on such abuses, tarnishing the reputations of some of America's largest financial institutions.

Meanwhile, U.S. automakers faced their own set of economic woes. With auto sales the worst in the industry's history, General Motors and Chrysler marched toward bankruptcy and reorganization. Though the government reassured consumers that their auto purchases would be protected under warranty, this pledge didn't cut it. According to a TIME Magazine poll conducted in April of this year, 29 percent of respondents said they would not buy a car from a U.S. automaker that declared bankruptcy even if the warranty were covered by the government. General Motors and Chrysler, once America's symbols of industry, have toppled.

As a result of such icon-toppling, once-indiscriminate consumers have been replaced with awakened citizens. As the word citizenship suggests, the public is looking to find shared values and interests, democratic decision-making, full disclosure, and a free-ranging ongoing dialogue with the companies with whom they do business.

As a businessperson, your takeaway should be this: Engage your customers. Really talk to them. Find out what motivates them, what keeps them up at night, and how your products or services could help alleviate their concerns and meet their needs. Do this, or risk losing them.

## RETRENCH

Consumers are cocooning, or re-treating to home, to protect themselves from the harsh, unpredictable realities of the outside world.

Faith Popcorn's BrainReserve reports that strained budgets due to higher prices for basic commodities are driving people back into their homes. Seventy-two percent of respondents in a recent survey said they spend a good deal of time at home, which is why consumer electronics is a bright spot in the economy.

More time at home means less time spent going out and spending money. A recent TIME Magazine poll found 63 percent of respondents have cut back on entertainment since the downturn began. Fifty-six percent are eating out less, 38 percent are spending less on sporting events, and 46 percent are going to movies less.

In an effort to benefit from cocooning, Popcorn suggests there will be a premium based on brands that demonstrate "an understanding of the consumer plight." This includes a combination of promotion, competitive pricing, and purchase-incentive programs that offer progressive refunds. The strategy is simple: Be with them when they're down, and they'll remember you when they are up.

In the past several months, examples of this strategy are playing out. With Walmart's prescription program, consumers can have most prescriptions filled for only \$4. Fred Meyer's CEO is pitching lower prices on chicken and beef in an effort not only to generate additional sales but also to demonstrate to consumers they understand their new reality and want to do their part to help.

Takeaway questions: How is cocooning affecting your business? How might you be a safe haven for your customers?

## RESET

Consumers are voluntarily cutting back in an effort to find a new equilibrium as they consider life goals and opt for simpler living.

In this economy, simpler living is being driven by fear and uncertainty, both for the unemployed and the employed. Consumers are taking a good, hard look at what they can do without and then doing without it. Even when prosperity returns, 61 percent of respondents in the TIME poll predict they will continue to spend less than they did before the recession.

And the cutbacks are real. Since the downturn began, 32 percent of respondents in the TIME poll have begun buying more food in bulk. Thirty-eight percent have started shopping at discount stores more often, and 37 percent are using coupons more frequently. Bottled water and clothing sales have dropped, and sewing machine and canning and freezing-supply sales have gone up.

Despite the economic uncertainty, a third of the people responding to the TIME poll say they are spending more time with family and friends, and four times as many say their relationships with their kids have improved since the crisis began.

Takeaway question: The new economic reality is causing consumers to rethink their ways of life. Simpler is better and less expensive. How does your business plan fit into this new reality?

## REINVENT


American ingenuity is back. Consumers are haggling, swapping, bartering, and reusing. This is reminiscent of a time when citizen-to-citizen relationships drove the economy.

In today's frugal society, who needs the middleman when you can get what you want from another consumer and pay less? Web sites like Craigslist are a perfect example. To demonstrate how popular this form of commerce is, Craigslist has reported that its barter listings are up more than 100 percent over last year.

Better yet, why not just re-purpose what you already have? The fact that Waste Management reports a 14 percent drop in trash being deposited in landfills is proof enough that re-using is a growing trend among citizens.

While Americans' thrifty living is good for the environment, it is a signal to business that citizens won't be replacing as often and, when they do, they will be looking for products that are guaranteed to have long lives.

Takeaway questions: Are haggling, bartering, and reusing affecting your bottom line? Can your product, service quality, and prices keep you competitive enough to be the company consumers turn to?

Challenging times test our creative ingenuity and resolve. If nothing else, this economic crisis has caused Americans to question their values, their standards, and their ways of life. It has been and continues to be a wake-up call encouraging American business to accept the new rules of customer engagement. Can we do it? Fifty-six percent of respondents in the TIME poll believe America's best days are ahead. I think they are right. 

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