



Customers

Firm up your customer base to help create demand for your products and services

The usual demand for your products and services may not immediately pick up as your customers have also fallen into crisis. Assist your customers to get back into business and show your relevance for their success. Explore options to create additional and new demand, including, as appropriate, by adapting your offer of products and services. Review your options to achieve timely payments to keep your cash flows going.

Background

Any business exists by virtue of demand from customers for its products and services. Retaining existing customers and securing further customers and orders are indispensable for building back your business successfully.

As the COVID-19 pandemic evolved and measures were taken to slow down its spread, MSMEs across the board have witnessed sharp disruptions of sales of their products and services. Several factors have been at play. Firstly, manufacturing and other operations came to a halt due to lock down and/or unavailability of critical manufacturing inputs resulting from disrupted supply chains - in short: products and services could not be supplied. Secondly, products and services were not able to reach customers, due to restrictions on the physical channels for transport, warehousing, distribution and retail - in short: products and services could not reach customers. Thirdly, customer demand suddenly declined due to declined income, unemployment and changed customer priorities and sentiment – in short: product demand disappeared. While the manufacturing, supply and logistics disruptions appear repairable on relatively shorter time frames with reopening of the economy, recovery of customer demand is likely to take significant and sustained efforts over longer time.

Approach

The challenge is on for MSMEs to create customer demand and convert this into sales during a time of high uncertainty and overall economic downturn. A truly daunting task, yet not necessarily entirely unsurmountable.

Fundamentally, any sales transaction involves a unique combination of a customer, a specific product (or product-service combination) and a contract. The customer could be the end user (Business to Consumer, B2C) yet is more often a manufacturing or distribution and retail intermediary (Business to Business, B2B). The product or service is the complete offering and includes also its presentation and packaging, and

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associated guarantees and possible service offers. The contract links the sales to a financial transaction and covers such aspects as price, delivery and payment terms.



All three elements provide options to consider for re-establishing customer relations, securing demand and orders and thereby incoming cash flows. A focused approach does put the customers first and seeks to make the product and service offer more attractive in the changed market and societal context and improve contract conditions to facilitate and speed up cash flows.

Customer

Develop and nurture customer relations

The COVID-19 virus did not differentiate between people and neither did the lock-down measures differentiate between producers and consumers, or between sectors and value chains. Government, public and business are all shaken and reeling from the impacts of the crisis. A degree of understanding and cooperation will be needed to get out together. Show your interest and empathy to customers and reach out, starting with the key customers that used to be most important to your business. Figure out where they are – how has the crisis impacted their operations, manpower and customers and what are their plans, targets and expectations for the recovery? Reciprocate and inform how your business has been impacted. Discuss opportunities and challenges on both sides. Can you assist with getting as many as possible of your customers back into business, for example, with some of your business connections, your business insights or some support from your technical team? Even if might cost initially a penny more to seal or deliver the sales, go for it to get your cash flow going. Having some income is much preferred over having no income at all.

Keep a strong focus on your current customers – these trusted you before and you want them to be assured that you can also supply in the future and that you are flexible to support their changing requirements. Don't forget your pipeline customers – you invested time and effort to get them in the pipeline. It is high time to follow up



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and figure out what holds your prospective customer back from agreeing on the deal. Are there ways you can address their concerns and thereby de-risk their decision to get the deal inked? Also review your broadcast (cold) marketing approach. It might not go well down with potential customers at large if they cannot see how your product and service offering is relevant and customized to the current times of economic upheaval and crisis and changed societal and health norms. Hence, revise and customize your marketing approach to tickle the interest of your potential customers.

Particularly for the B2B segment invest time and effort to cooperate and partner with your customers. Try – *and retry* – the proven market development and sales model of SPIN – which stands for Situation, Problem, Implication and Need. You start with clarifying and understanding the situation in which the customer is operating, and on the basis thereof you then guide your customer to articulate the problem s/he is faced with. This operates through questions and answers, no sales pitches. Once the problem is jointly understood you move with the customer to appraisal and potential quantification of the implications (or impacts) of the problem for the business. On that understanding, you can extrapolate what the business could gain by solving the problem. This then moves to confirmation of need (to solve her/his problem), upon which you can position your product or service offer as a solution to the specific customer's need. In other words, don't pitch your offer as the perfect solution for your customer until you have made an effort to understand your customer's situation and problem and, indeed, can justify claims about the value of your offer to the customer. Clearly, SPIN would not work if you are in the business of running a tea stall or selling fast moving consumer goods – unless you complement these with a distinctive value adding service. However, if your business' core competency is in customized parts, products and services, you are well positioned to benefit from SPIN.

Products

Improve positioning of your products in changed market and society

As consumers, we all make rapid assessments about products and services that are on offer around us. We categorize almost instantly whether anything is either Essential, Needed, Desirable or Avoidable. This is commonly observed and known in marketing terms as the ENDA ladder or hierarchy. Anyone would make absolutely sure to get what is essential and anyone would also make an ultimate effort to get what is needed. If resources (budget) are available, anyone may, from time to time, consider to also obtain what is desirable. Even with sufficient resources, anyone would strive to avoid buying what is avoidable. So, you should aim to get your



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products immediately recognized as essential or needed by your target customers. If that's not the case, your sales pitch is likely to fall on deaf ears, and you would be well advised to revise and improve your product or service offer or differentiate your target market better.

The final consumer is king and decides - so put yourself in the shoes of your final consumer, who is likely to be different from your direct buyer. Where was your product or service in the consumers' priority before the crisis started – was it already in essential or needed category, or not yet? What might have happened to the consumer's life, lifestyle and preferences as a result of the pandemic outbreak or as a socio-economic impact of the policy measures taken? What are the limitations of your product to make it to needed or even essential category?

You may wish to ascertain your product and service offer. Is it of the right size? Does it have the right combination of key features and/or functions? Is the packaging and promotion appropriate and appealing to your target customers? Do the services that you offer with the product match customer's expectations (such as maintenance, customer service, guarantee)? There are also some further suggestions in the module on **“Revive for Growth”** to improve or diversify your products.

Make sure to do all it takes to shift your product and service packages up on this ENDA ladder of your target consumers towards essential or needed!

Contract

Structure contracts to meet your business cash flows

The contract or agreement seals the sales deal. The way the deal is executed influences your business cash flows. Hence particularly in times of crisis recovery, attention to detail will make a difference.

There are few interrelated components in a sales agreement or contract. Volume or quantity and price are of overall importance for the viability of your business, yet payment and surety are equally important from cash flow perspective. Trying to get the best price is a no brainer, yet, be prepared to compromise to improve other aspects of your contract. Can you negotiate for a larger quantity to be supplied over a longer period of time? This would improve your planning and may justify efforts to improve your own business processes with potential for cost savings. You may also be able to use the larger order to leverage funding for your business. Can you change the payment terms? Credit sales are least preferred as you carry the financial burden of completed orders as debts for prolonged time. A cash sale, payable on transfer of the goods or services, gives you money in hand directly to keep running your



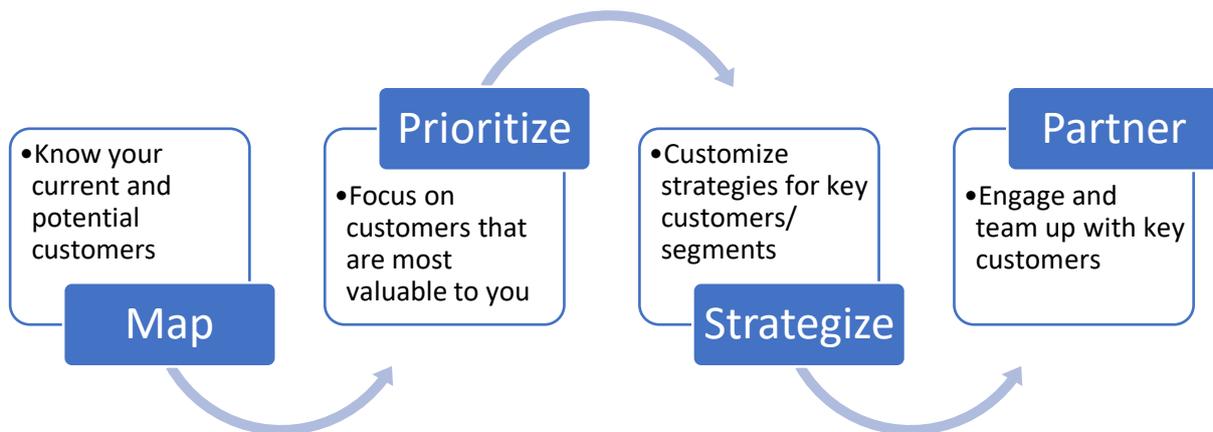
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business. And particularly in case your product’s value has a large share of input cost (as materials, components, subassemblies, etc.), you could argue for down payments for your orders before you start working on these. As an alternative, are there other forms of security your buyer can provide to reduce your financial risks and working capital requirement, for example, through bank guarantee, letter of credit or post-dated checks. Some further options to revise sales conditions to improve your cash flow are discussed in the module on “**Financing**”.

Demand Creation in Practice

There is no one size fits all to create demand in practice. Much depends on your products and markets. You would need to identify and explore opportunities that match your business.

You may benefit from a structured, instead of a case-by-case, ad-hoc approach. Start mapping your sales so that you know your current and potential customers. Prioritize among your customers so you can focus on those customers that matter most for your business, in terms of sales volume, turn over and liquidity for your business. Review the specific issues and challenges faced with each of your key customers for specific recovery strategies. Ultimately team up and partner as appropriate with your key customers to improve and/or diversify your product and service offer and revise contracts.



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