1 Introduction

Business's greatest customer opportunities and risks are determined by how well customers are managed through economic cycles. Despite the fact that 65% of a business's existence is managing customers in hyper-competitive economic transitions, it is predominated by reactionary approaches and guesswork.

Whether it is how consumers change their buying behaviors or how businesses change their spending behavior through economic cycles and transitions, they both are predictable and addressable.

This book focuses on the unique business knowledge, skills, and underlying disciplines to enable any business to optimally address these distinct customer opportunities, challenges, and risks created as customers' transition through economic cycles.

For the past decade, many industrialized nations have experienced strong growth with an unprecedented availability of financial resources. This fueled excess expenditures bordering on decadence. It was a sharp contrast to the Great Depression, the biggest crisis experienced by the world economy. Boom and bust are extremes in the continuum of economic cycles and each generates specific consumer behaviors.

If we hearken back to previous generations especially "depression babies" spending was characteristically stoic with patience and endurance toward one's lifestyle, i.e. if they didn't have it, they didn't spend it.

This is in direct contrast to behaviors during these recent boom times. Consumers conspicuously consumed. They were able to leverage homes and other assets to gain access to extra money and so have been able to purchase more. However, they were also able to go further into debt. Credit cards have enabled us to spend more money than we actually earn. From a behavioral perspective, this has created an expectation of material entitlement beyond that which most generations could typically afford.

During 2008, the economy tanked. Real estate plummeted. People's life savings were shattered, i.e. cut in half. Jobless claims reached a 26-year high. Consumers' behaviors changed, and changed quickly.

What happened to businesses? What happened to their customers? Those businesses that were prepared and able to proactively use the economic turn as an opportunity flourished. Those that weren't struggled to survive and in some cases, disappeared.

What was the difference?

That was the question we asked ourselves. So following the 2008 melt-down, we at the Centre for Information Based Competition started tracking:

- Consumer behavioral changes
- Business behavioral changes
- Businesses' response to behavioral changes
- How business changed buying behavior.

And using that data determined which core business competencies were critical to sustained success during changing economic times.

Research methodology

The research was global in its nature. It crossed numerous industries including but not limited to: financial services, telco's, retailers, travel, manufacturing, and consumer goods. Both small businesses and Fortune 100 companies were tracked. To that mix we added insights from consumers, business leaders, and economic forecasters.

Key findings

The research showed that there are three areas where successful and disappearing businesses differ:

- The first is in understanding the science of their customers' buying behaviors. This includes knowing who their customers are and how they're feeling. It also includes how the drivers of a buying decision changes as economic factors change.
- Second is leveraging loyalty within their consumer base. This requires a thorough understanding of the different kinds of loyalty and the financial benefits of each.
- And third is maximizing the core business competencies to not only proactively adapt but to use the changes that occur within the economy.

Beyond these three key areas of difference, the research also illustrated how "community" is playing an ever-increasing role in the success of businesses. This includes the physical communities. It also includes the virtual community. It's the latter that is having significant impact on how customers and businesses interact, particularly during these changing economic times.

Summary

Economic cycles have both boom and bust periods. Businesses seeking long-term success need to thrive in all economic environments. Those companies who continue to achieve this have done so by having their core business competencies focused on meeting the predictable customer changes in a way that continues to leverage loyalty.

Simple – but how do they do it?

We have split the book into 10 chapters (Chapter 1 being the Introduction, and Chapter 10 a Summary) to answer that question.

Chapter 2 – Predicting/Preparing for Economic Transitions: How businesses can best predict and then prepare for any economic transition or cycle.

Chapter 3 – Science of How Consumers' Buying Changes over Cycles: How consumers' buying changes relative to (a) reprioritization of needs, (b) changes in how they perceive value, (c) in the context of how economic conditions influence (a) and (b).

Chapter 4 – Consumer Loyalty Strengths/Vulnerabilities in Cycles: How different loyalty types endure varying economic conditions.

Chapter 5 – B2C Approaches for Dynamic Consumer Needs/Value Tradeoff: Proven consumer tactics optimized for different economic cycles.

Chapter 6 – B2B Approaches for Different Economic Cycles: Proven approaches, transformation strategies, and business case methodologies for economic conditions.

Chapter 7 – Mastering Information across Economic Cycles: Strategies and tactics for leveraging information to optimize business through economic transitions.

Chapter 8 – Managing the Employee Factor through Cycles: Strategies on managing employees through economic transitions and cycles.

Chapter 9 – Leveraging the Power of the Community (Physical and Online): Strategies and tactics for leveraging the physical business community as well as online communities.

By sharing our research learnings, we hope to help businesses get and keep customers through periods of boom and of bust.