Editorial

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Another month, another step deeper into world recession. By the time this editorial sees the light of day, events will have moved on: we may just be seeing the ‘green shoots of recovery’, if not in the UK, at least in some parts of the world.

Crises have a habit of remaining critical until suddenly we wake up one morning and they are not any more. On the one hand, I am all too aware of the protracted course of the Great Depression: the series of false dawns, as every 6 months or so, experts decreed that the worst was over, only to see the world economy continue to plough into the mire; and in many countries, a recession that lasted a good 10 years or longer.

On the other, I know about past crises and shocks to the economy. Just as our recent boom was forecast to go on forever (it could not) so the present downturn will eventually come to an end. There will not be any great announcement of that event. We will not see the governor of the Bank of England or US Treasury Secretary stepping up to a microphone and telling us its over.

Or rather, there is a good chance they will do that not once, but several times over the next few years – although it will not be really over until the day when they no longer feel the need to make that announcement. Instead, the economy will gradually correct itself. The gloom will lighten: business will slowly return to its accustomed track. All will be well again – until the next time.

As I write, it is not long after the United Kingdom’s latest budget. The bottom line from that is that we are in

far worse shape than we had imagined: far worse off than the government has told us over the last year or so. The optimistic forecasts are for 10 years of serious belt-tightening.

The argument now, on the political front, is whether the enormity of the United Kingdom’s difficulties can be resolved by a little tightening here, a bit of efficiency saving there. Or whether the situation is so dire that nothing other than a wholesale re-evaluation of the United Kingdom’s world role will do. Advocates of the second position argue that the time has come to cut major national programmes such as the British nuclear deterrent – or to row back from the commitment to provide university places for half the UK population in future.

No doubt the argument will continue to rage, and it is not the place of an academic journal such as this one to take sides. However, there are parallels to draw, and issues here that might impact on current business thinking. In common with many other commentators, we have argued that businesses need to preserve their core values and defend core markets over the next year or so.

We have not shifted an inch from that view. There have been casualties already in the UK economy: some are sound firms that have simply been hit by a catastrophic collapse in their market, as many car manufacturers are discovering to their cost right now; others are companies, such as Woolworth, where the core proposition no longer added up. As many an analyst asked, in the months leading up to Woolworth’s demise: ‘what is Woolworth for?’

From a position where it was once a High St guarantee of quality at a competitive price, in its last few years, Woolworths seemed to have become identified with 'cheap' and 'low quality' in many people's eyes. It was being undercut in many areas by supermarkets. Areas that had been central to its business were being aggressively captured by other retailers. Its final closure was, according to received wisdom, merely bringing the curtain down on a show that was well past its sell-by date.

We must now wait for the Business Schools to pick over the remains of what was once a key British business. Did Woolworth stray too far from its core values? Or was it simply that other competitors merely captured them and ran with them more successfully than Woolworth itself did?

In either case, the question to which managers need to address themselves is the fundamental: in the current economic climate, does my business satisfy a real customer need: is it still possible, having regard to all the circumstances, to be the business you set out to be – and survive; or is the time approaching when more radical surgery is called for?

Over the last couple of issues – and contributing to other business publications – I have tended toward a 'steady as you go' approach. Certainly, the suggestion has been that businesses should stick to their fundamentals: but that has been linked to discussion that focuses on looking for the small things that a business can do to defend itself. Deepening the relationship with customers. Making creative alliances with suppliers. Generating customer added value that is perceived as being worth far more than it costs the individual business.

As a strategy, there is nothing wrong with this approach. It is covered, in some depth, in the paper from Mark Hollyoake, that provides a model for how customer Experience should be analysed and integrated into a business.

Desperate times, however, may call not for desperate measures but for radical ones. 'Radical', that is, in the sense of taking a much harder look at what an organisation is involved in and questioning every aspect of its present business profile. Is the core business where it should be? What is the outlook for your core business? What initiatives have grown up over the last few years?

Do they add to and enrich the product portfolio? Or do they detract from it? Do they create opportunities for your business: or do they distract? Do they use up time and resource for little return?

Most important of all, are they activities where you want to maintain a strategic position for later?

Because the danger of the way in which this debate is evolving is that some businesses may find themselves taking decisions that will be costly to reverse later. First instinct as recession bites is unfocussed cost-cutting. As I hope we have argued successfully over the last few issues, that is a dead end, as likely to result in your business chopping areas that are important to it as to finding the dead wood.

Second strategy is therefore to do the small things well: to find the initiatives that cost little and allow you to leverage your customer base. However, if that is not working – or if it is not working well enough for you – the temptation must be to return to your first impulse and look for something big to cut. As a UK-based operation, do you really need an Australian Office? Is selling insurance a useful activity for yourself as a motor dealer? Or is it getting you tangled in a range of issues that take up far more time than they are worth?

These are the big questions – akin to the national debate about scrapping the nuclear deterrent. The easy, dramatic resolution is the big dramatic cut – and that might be the right decision. Or it might not. There is no simple single answer. The debate should be clear: short-term gain against long-term damage. Or to use a

medical metaphor: will the shock of the operation actually kill the patient?

Our suspicion is that many organisations have now reached this point. All the easy things that can be done have been done: but there is still room and a need for further belt-tightening. But both sides of the argument absolutely need to be heard.

Mark Hollyoake's paper on using the customer experience lever remains central to this debate. In this issue, we also have a number of other papers that cover a range of oddly disconnected topics. There is an excellent piece from Leonard Paas looking at the potential for applying database marketing in a newly emerging African economy, Tanzania.

We were encouraged to receive it, since it demonstrates, for a journal that tends to have something of a North Atlantic focus, that life goes on elsewhere in the world. One key out-take from this paper is how a major obstacle to development database projects in the African continent lie in a lack of basic skills and knowledge.

European-based organisations, looking quizzically at their long distance overseas operations in the Far East or even the United States would do well to remember that in terms of geography, Africa is a very near neighbour. The rates of pay for consultancy may tend to be lower: the overall budgets do not scale the same heights as the budgets for similar projects closer to home.

But Africa is not another planet: it is relatively easy to access from most parts of Europe; and as key projects get cancelled at home, the time may be ripe for some organisations to look south to expand their market.

If Leonard Paas' paper opens the door to a relatively uncomplicated proposition – in times of economic downturn, look for new markets – Filipe Pinto's review of ontology-based methods takes us in a wholly new direction, and one that may be wholly new to many marketers.

The problem that his paper addresses is the problem of mining databases for interesting and useful information. It is a commonplace of database marketing that many systems are seriously under-used for the simple reason that they are not constructed in ways that enable easy analysis. An 'ontology', in computer-speak, is the formal representation of a set of concepts within an area of investigation, and the relationships between those concepts.

That may sound horribly theoretical and academic – but shortly after receiving this paper, I was asked to take a look at a client's database and to extract information from it. I did my best. However, at the end of the day, the database was wrongly structured. Not badly: the structure worked quite well for a particular view of the client's marketplace.

The problem was that the structure adopted appeared to be based on a particular (marketing) theory about how the business ought to be working. Unfortunately, that was not how the business actually was working. So a great deal of work was required, re-shaping data, creating new views, matching pieces from one table to pieces from another table, before it even began to be possible to talk meaningfully about the business.

Even then, there were important questions that the data simply could not answer. At one level, this could be put down to poor specification: a business specifying the world the way it wanted it to be, rather than how it is. However, as this sort of problem keeps recurring to greater or lesser degree within different clients, my suspicion is that the problem does represent something more fundamental. A failure to understand that data structure is not just a technical detail, but an integral feature of the information held within a system.

If this paper helps in the development of an understanding on this front, it will be of value to your organisation.

John Ozimek
Managing Editor