

5 Ways To Prepare For The Downturn In Services

By Robert A. Potter

Are we headed for a recession? There is growing evidence that things are heading south. The only question is how bad and how fast?

In the last downturn the services became hyper competitive as providers chased fewer and fewer projects. Many firms went out of business while others cut staff by half. Few service providers survived unscathed. What lessons can we glean from this period to identify likely winners and losers and prepare for the coming downturn?

Based upon that last downturn, we can make a few predictions as to which service providers are most likely to be road pizza if we reenter a hyper competitive market. The biggest losers will be service providers who:

- Do not have extremely loyal clients
- Don't dominate their market niche, i.e. generalists
- Don't have a clear differentiated and provable value proposition
- Don't know how to win in competition
- Don't know how or are unwilling to return to proactive selling

If things do become hyper competitive, providers who implement the following 5 competitive strategies will survive and even prosper. Here are 5 ways to protect your services business:

- 1. Delight current clients and track satisfaction**
- 2. Specialize to dominate a market niche**
- 3. Redefine your value proposition to position your services against competition**
- 4. Differentiate on clients instead of forcing clients to differentiate on you**
- 5. Create business don't wait for it**

Let's take a closer look at each recommendation:

1. **Delight current clients and track satisfaction** - By far the best way to win in competition is to keep the clients you have and let them sell for you. Even a fast growing concern realizes 80% of its revenues from existing clients.

However client loyalty has never been more difficult to attain. Traditional service satisfaction attributes like experience, capability, timeliness, thoroughness, responsiveness, etc. have become minimum requirements and are no longer differentiators. They are table stakes in a more competitive world.

Client satisfaction is not enough. Our research shows that highly satisfied clients are twice as likely to be loyal as satisfied clients. Highly satisfied clients arise from a deeper personal and strategic partnership with clients.

There is an old saying in engineering, “You can’t fix it if you can’t measure it.” Most real estate providers do little or no client satisfaction tracking. If you don’t, start now before your only client satisfaction indicator is your competition doing their next deal.

If your goal is still a satisfied client, you are setting your sights far too low. Satisfied clients invite you to compete again. But highly satisfied clients not only give you follow on business (frequently sole sourced); they also refer you to others. They become in effect a surrogate sales force.

2. **Specialize to dominate a market niche** - Robust markets allow you to enter new market niches because existing players are out of capacity. But when markets become hyper competitive, newer entrants and generalist starve. Think about it. If you were a client with lots of choice, would you choose the generalist who has done some of this, a little of that and a few of those, or would you choose the market leader who has done more of what you are looking for than anyone else?

In competitive markets only market leaders survive. That means you need to specialize to win. It is better to hold 50% of one market than 10% of five markets. So keep narrowing your market by product type, geographic area, client situation, service, etc. until you are at least in the top three. The more you focus the more you can dominate your market. The more you dominate your market the easier it becomes for clients to choose you.

3. **Redefine your value proposition to position your services against competition.** In competition your prospective client has one question: “Why should I choose you over your best competitors?” If you do not have a clear and compelling answer to that question, you are going to lose or compete on price.

Yet service providers use almost identical language to answer that question. I call these “airbags” because like airbags in cars, they are important, you would not buy a car without them, but since all cars now have them, they are not differentiators.

You may be surprised to discover that you, too, are pitching airbags, which is making it more difficult for clients to choose you. Most of the words that you use to sell your services are very similar to words your competitors use. It is not that your airbag message about your experience and capabilities is not important. They client would not have invited you to compete without those capabilities. It’s just that those words don’t help the client choose you because they don’t differentiate you from your competitors. You may believe that you are better, but how does the client know that if you can’t communicate it.

To de airbag your value proposition craft a compelling positioning statement that clearly and concisely communicates how you achieve a better outcome with less risk, less client effort, less disruption and fewer surprises and faster than your best competitor. Most importantly, prove it with relevant stories, benchmarks and client testimonials. That is no easy task. But if it is hard for you to communicate how you are different and better, how does the client choose you?

4. **Differentiate on clients instead of forcing clients to differentiate on you.**

Differentiating your message as described above is critical, but winning goes well beyond a rational message. As the competition advances into its final stages, it's more the emotional differentiators; trust, confidence, commitment and passion that drive choice among finalists.

From the client's perspective, top competitors pretty much look the same. On the other hand, clients feel that their situation, project, property, people, preferences and process are unique. Where most selling professionals are wasting time trying to force clients to recognize and value increasingly nuanced differences in their capabilities (vendor differentiation), elite service providers create client preference by finding and aligning to what is unique about the client, the property, client preferences and process (client differentiation).

Once clients narrow their options to a short list of highly capable alternatives, nuanced differences in capabilities cease to be a factor in their final choice. At this level everybody is qualified. Instead, clients want to work with someone they know and trust, someone who knows *their* industry, *their* market, *their* company, *their* situation, *their* property, *their* preferences and *their* process better. In other words, instead of wanting to know more about you, they want *you* to know more about them. They don't want to work with a vendor. They want to work with a strategic partner. If you can find and align to that uniqueness, the client will view you as a strategic partner and not just another vendor.

5. **Create business don't wait for it -** During the last downturn one service provider said, "We have been so busy cooking that we forgot how to hunt." In hot markets you can afford to sit back and let the business come to you. When you don't need to hunt, you can focus on cooking. In hyper competitive markets if your first contact with the client is when you receive the request for proposal, you have already lost. It's time to relearn how to hunt.

Sharpen your sales skills and get back into the market. In competitive markets you need to get to the client first even before they have decided to use the services that you and your competitors offer, and then escort that decision to become the preferred or sole provider. The idea is to engage clients earlier in their decision process and win the business before it becomes competitive. The best way to win in competition is to avoid competition. The best way to avoid competition is to win before the deal ever sees the light of day.

The boom and bust in the demand for services mask sound business development fundamentals. In a good market everything works. In a bad market nothing seems to work. To prepare for the next bust, delight clients, craft a compelling value propositions, specialize to dominate your niche, differentiate on the client and create the business instead of wait for it. Those five strategies will not only protect you in a downturn, they will help you prosper in any market.

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