By Richard D. Czerniawski

AVOID THE DOWNWARD SPIRAL

My wife took a drive to a local department store in our new locale. She relayed to me that it was rather depressing. It was sparsely stocked and not very well appointed. She really doesn't care to go back to that store, and it's unlikely that she will.

The store situation is typical of a downward spiral. Sales lag—either through poor decisions, a downturn in the economy, new competitors, whatever—so cuts are made to prop up short-term profit. The quality of merchandise typically goes first. After all, the customers aren't shining to it. It's followed by laying-off floor sales personnel. Then the variety and depth of offerings decline. Merchandising consists of filling bare spots where quality merchandise once adorned the store. Even the lighting is moderated to cut costs. It is a dark situation in deed!

Each action triggers a reduction in sales. The sales decline leads to further cuts, which exacerbate the situation. The downward spiral becomes increasingly tighter with each spin. Customers no longer find it appealing to shop the store and, consequently, go elsewhere to meet their needs and desires. It's a downward spiral, perhaps, even leading to a death spiral.

While you may not be in the retail business, your brand is not immune to falling victim to a "self-inflicted" downward spiral. When the demand for profit growth exceeds sales growth, or if sales growth does not sustain profit targets, then it's highly likely that choices will be made to bolster short-term profit at the expense of long-term brand health and relationship with target customers.

To remain competitive, we must continue to invest in brand health and building. The keyword here is "invest." What does it mean? Quite simply to fund initiatives that will provide a favorable ROI (return on investment). If you don't know whether something is delivering an attractive ROI, then it is highly likely to deserve to be put on the chopping block. At the very least, we need to provide funds that will prevent our brand from falling behind the competition in satisfying customer needs—particularly in those instances where there will be a significant time lag in restoring parity and regaining competitiveness.

Assuming one knows the ROI, which is a big assumption, here are some self-inflicting, knee-jerk activities organizations fall into—to meet short-term profit goals—that contribute to creating a downward spiral:

- Postponing critical clinical studies and customer satisfaction surveys, or not conducting studies that will lead to gaining a competitive advantage;
- Cutting the advertising budget;
- Cutting sales personnel or loading them with more products to sell;
- Increasing pricing to the point it undermines the brand's value;
- Rationalizing the “whole” product (i.e., physical product and/or services) that promotes and leads to “creeping decrementalism”;
- Cutting the marketing research budget forcing the organization to engage in eminence- versus evidence-based marketing;
- Cutting essential R&D projects, mainly around product improvements and developing new indications;
- Falling back to “selling” versus “marketing” the brand.

Once a brand enters into a downward spiral, it is difficult to pull out and remain competitive in winning and maintaining customers. Avoid self-inflicting decisions that compromise brand health and relationship with customers, putting your brand into an ever-tightening downward spiral.

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