

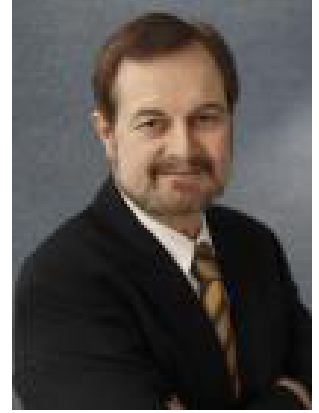
Business Insight

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Surviving a downturn

Open mind buoys firms in tough economic times

Charles Holland is founder of the Knoxville, Tenn., business consulting firm QualPro and author of *Breakthrough Business Results with MVT*, which is a tool for testing improvement ideas. He shares some thoughts about getting through an economic slowdown and avoiding traps.



Dr. Charles Holland

What's your best advice for surviving a business downturn?

When times are tough, businesses need to quickly find ways to increase sales and reduce costs. Every company has lots of ideas for improving its results, but it is important to realize that the most obvious ideas aren't always the best. Brainstorm with all levels of staff - junior employees responsible for day-to-day tasks understand a different side of the business than the senior-level executives. Be open to testing out-of-the-box ideas, because sometimes the quirkiest lead to the largest breakthroughs.

Why is it a myth that sales will decrease when prices go up?

Money isn't everything, and pricing is not the most important factor affecting sales. Often the right advertising message can overcome the effects of higher prices, moving just as much product or even more at higher margins. Although lower prices often do increase unit sales, the use of aggressive wording such as "GREAT PRICE!" alongside higher price points has been equally effective and can more than double profits.

What are other business traps?

Businesses often follow popular trends, even if there is no evidence the trends improve results. For instance, many businesses over the past decade have adopted the Six Sigma improvement methodology (consisting of the steps to define, measure, analyze, improve and control). According to a recent study, 52 of 58 companies that launched a Six Sigma effort experienced a decline in results, underperforming the S&P 500. These companies included General Electric, Ford and Motorola. It is also a common belief that increasing direct-marketing efforts are a simple, cost-effective way to drive business, while in reality, certain mailings have proved to actually hurt sales.

What is the Multivariable Testing process?

Multivariable Testing (MVT) is a process that allows companies in all industries to test improvement ideas - dozens or even hundreds at a time. It identifies strategies that are practical, fast and cost-free that help to rapidly and dramatically improve profitability and company value. Combinations of ideas are then implemented into the company's everyday functionality, and results are measured to determine which factors are helpful, hurtful or have no impact on company goals. Statistically it has been proved that 25 percent of ideas help, 25 percent of ideas hurt and 50 percent have no impact on the desired results.

- Dawn House

Charles Holland, consultant