

Taking Advantage of Adversity

It seems like everyone is talking about money and the how bad the economy is . . . and for good reason. Housing prices and value are falling. Access to credit is tightening. Gasoline prices continue to increase. The cost of necessities seems to rise every month. Salaries are barely keeping pace. The average American consumer is finding it harder to get from paycheck to paycheck. For many families, they are not.

This is having a big impact on our industry. Customers have always been concerned about price but the combination of our current economic situation and the proliferation of insurance company ads that focus entirely on price have encouraged customers to expect bargain pricing when they shop for insurance. In addition, the market is softening. Many companies flush with cash from the previous hard market are more than willing to lower prices to buy market share. These same companies are also looking for M&A opportunities. It is a dangerous world where only the smart and aggressive will prosper and perhaps even survive.

How is your company reacting to these factors? Are you gaining or losing market share? Are you profitable? Are you taking advantage of the current situation or is it taking advantage of you?

If history is any indicator of future activity, most insurance companies will do nothing. They will sit out the situation, wait for things to get back to what they consider normal and accept whatever happens. A small number of companies will cut their prices to maintain or grow their competitive position while sacrificing profitability. Most companies that implement this strategy will try it for a relatively short time.

Then there are a few companies, who will recognize the current situation as an opportunity to gain a marketing advantage over their competition. They will redesign themselves so they can be successful in this new environment. This means streamlining and reducing their costs so they can reduce premium rates to the point where they will be able to grow their sales and to maintain and improve customer retention while also meeting their profit goals. This creates a big advantage in the current situation but an even bigger one for the future when things return to a more normal state. While other companies struggle to be successful, these companies will continue to grow and be profitable at even faster rates.

Years ago, I had an English literature professor who believed that the best literature occurred when censorship was the most severe. He taught that adversity separates the genius from the average and creates the best creativity. I agree and believe this idea also applies to business. Adversity can create opportunity, if you take advantage of it. Some companies will find a way to use the current situation to create new ways of operating that will result in huge business successes. The key question is . . . which companies will do this, or more specifically -- will it be your company?

Over the next few months, we will be writing about what you can do to position yourselves to be successful and take advantage of the current economic situation. If you cannot wait and want a preview of our ideas, feel free to give me a call. I would be happy to discuss them with you.

Please also visit our web sight at McDonaldConsultingGroup.com, where you will find further explanations of these ideas (and other exciting ideas) in our Concepts and Ideas section. We also have some case studies that you might find interesting.