The way forward in NEWbraska

Jumpstart:

expert advice for strategic transformation and innovation after the pandemic

Preface: How does a responsible leader spearhead successful transformation without exposing the corporation to unacceptable risk? The answer lies in:

a) Understanding the basics of change management, including business model analysis, organizational realignment and leadership training.

b) Creating a cultural readiness and receptivity to "outside-in" thinking.

c) Examining case studies and tactics used successfully by other companies, thus creating a template or model for moving forward.

I. Generate Energy for Transformation

* Confront reality … gather evidence that there is a worsening-but-solvable problem that can thrust the organization into jeopardy if it doesn't act.

* Create and reallocate resources

* Raise the bar

* Model desired behaviors

II. Develop a Vision and Business Success Model * Develop a strategic vision

* Model business success

* Analyze the total system: current vs. vision states

* Identify the gaps

Lynn Hinderaker can help you decide where to pare back and where to expand. But innovation requires inspiration to succeed…

* Focus on a few transformation initiatives

III. Align the Organization

* Restructure around market segments, not product lines

* Make sure middle managers are as enthused about the idea as top management is.

* Reshape the culture to reward proactive thinking and cross departmental cooperation

* Build core competencies

"You keep us on the leading edge. We would never hire any other outsider."

- President of Beautyfirst retail chain

"If I were to fire Lynn Hinderaker's consulting firm tomorrow, the work they've done for us would be making us money a year from now."

- Owner, Fashion Cleaners dry cleaning chain

"We end up ready to take on the world after any meeting with you. It appears we are at that "omega-point."

- Business development manager, insurance brokerage

NEWBRASKA™

Community, Collaboration & Commerce

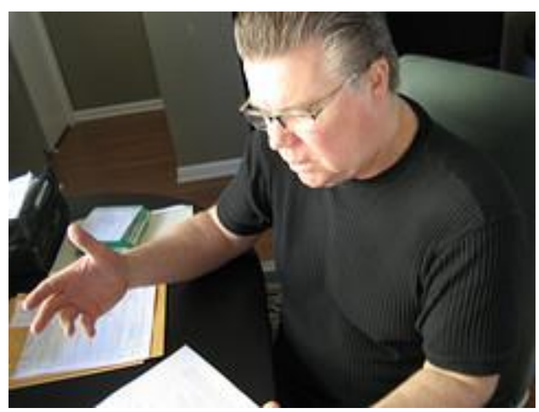
IV. Create Transformation Process Architecture

* Educate and involve

* Create coordination and feedback mechanisms

* Communicate and celebrate progress

* Fill transformation skill gaps



According to R. H. Miles, these elements of the framework provide not only a platform for launching a corporate transformation, but also for managing transitions from one phase of transformation to the next en route to the **'vision state.'**

<u>Specific suggestions:</u>

Three tips for generating revenue in a tough economy:

1. Mine your existing customer base. Your best opportunity is in your current customer base. We know you've heard this before. But have you really done it?

   Common scenario (SOURCE: Accenture Consulting):

   - 20% of customers provide 80% of margin
   - 85% of margin comes from only 4 products
   - More than 50% of the customer base uses only one or two products.

   NOTE: Creative Destruction is required if you have more than four products. Drop them and reallocate resources to new, entrepreneurial efforts.

   Use this time to meet with EVERY single current and past client. Find out what is happening with them. Look for, and focus on, the areas where you can help them during these tough times. Make sure every customer is aware of every product you offer.

2. Create an economical option. Times are tough for everyone. Be sure you have accounted for that with your product offer. Do you have an option that takes into account the economic conditions in your market? By doing so, you let your prospects know that you understand their pain and you're responding to it.

3. Network, Network, Network. Now is NOT the time to be silent. There may be many in your market that simply cannot enter the buying cycle right now. But that will change. And, when it does...you want to be top of mind. Be sure you are showing up, wherever possible. This is the time you want to canvas the market to build and maintain awareness. While others are cutting back, you will be the one remembered when the dust clears!

Get excited. Redecorate or repair. Dramatize your retail store with color and new point of purchase materials. Develop a new image for your business that says you are excited about what your customers are excited about. Create a sense of action. Have a grand reopening or a ‘New You’ program.

Get out in the world with your customers. Make personal visits to them asking “What can we do to help you succeed in your lifestyle?” Let their suggestions drive new service development.

Reinforce existing patronage with frequency and reward programs.

Segment your customers and begin selling them what they particularly enjoy. Then cross sell.

Solve all the hassles and inefficiencies that surround your product, precede purchase and follow purchase. Help customers improve their costs by reducing complexity, making better decisions and speeding their offerings to market.

Sell what your customers are buying, not what you are selling. Find out what they need more of and make those changes. Don't get locked into old programs or ways of doing things.

Design new web sites, direct mail pieces, letters, brochures or menu boards that outline your capabilities.

Create a Web site that makes you appear contemporary. Inject video. Update the content regularly. Set it up so that it encourages conversation with the visitor and enables you to capture e-mail addresses.

Develop a guarantee that exceeds what local competitors can provide.

Steal ideas from leaders in your industry and even companies outside your industry. Cast a broad net for new concepts and adapt them to your business. Use Zoom-Out thinking to identify trends on the periphery that could disrupt current demand or shape future demand.

Example: Shopko spearheaded a sales turnaround by providing interior makeovers, moving from a 'clinical' red, white and blue to a more residential yellow, green and gold. They are also adding new lighting, flooring, a small grocery section and several expanded departments.

The president and CEO of BEA Systems in San Jose, which suffered mightily after the NASDAQ crash, outlined his strategy for a turnaround:

Responsibility: "Recalibrate the madness into reality."

Key steps: Trim costs, increase communications within the company – let people hear what we're working on, what we want to leverage and what management thinks about where we're heading. Walk around talking to employees about their careers several years down the road. Give them concrete metrics for where we want to head, which will help them focus and strive.

Identify where you have EQUITY, LEVERAGE and MOMENTUM…the three pressure points that provide a foundation for turnaround strategy.

Examples of successful turnaround programs: ("action steps" are highlighted in yellow):

4/25/19

Levi's Turns Around 15 Year Slump

1. CEO fired nine of 11 direct report managers. "If you want to change the culture, you've got to change the people."
2. Create partnerships with hip brands.
3. Focus more on female customers…an underserved segment.
4. Ask good questions which lead to 'connecting the dots.'
5. Project humility. Be approachable, be real. Use an open mic format to invite employees to ask questions on a regular basis. Find out what's on people's minds.
6. Be very clear about expectations.
7. Give people accountability with responsibility.
8. Set a high bar.

3/14/17

Langone Medical Center in NYC was losing $120 million per year in 2007. Today, their revenues have tripled and their margins are at 10%. The center of their turnaround was an engaged, committed workforce, so important in a knowledge driven economy. The key elements were (1) creating belief in an inspiring stretch vision and then translating it into tangible improvements for each area; (2) championing data transparency as a powerful source of focus and motivation; and (3) committing to upgrading and supporting talent in key roles.

First step: show the institution that it was much better than what [critics] perceived, yet at the same time, [I wanted stakeholders to] embrace the brutal facts." He decided to engage the leadership team and the broader organization in a structured dialogue about the vision. The senior team jointly crafted a concise document they named the "Statement of Strategic and Organizational Direction" and shared it with the entire organization, along with a call for input. In addition, a task force of 12 leaders below the senior level conducted confidential interviews with more than 100 people, representing a cross-section of the extended leadership of the organization.

The unvarnished key findings from the data were then shared with the senior team. There was good news — the great majority of respondents agreed with the need to transform the organization and viewed the vision as personally meaningful. However, they also viewed the hospital as ill equipped to achieve any of its strategic priorities, and they were hungry for greater clarity about how the vision could be achieved.

Additionally, respondents saw the organization's deep silos and the senior team's lack of effectiveness as critical obstacles to success.

Once the mission road maps and corresponding functional plans were complete and fully vetted, a second wave of broad organizational engagement was organized. Department heads described each of the mission road maps and the sequence of strategic steps they would take to realize the vision. They highlighted the progress that had already been achieved on key initiatives and gave participants the chance to share their own assessment of progress. They had awakened their imagination to the possibilities

12/3/2013

Maturity requires broader distribution and nimble attitude: Starbucks has stumbled in Europe by opening its stores only in high rent shopping areas, thus making it unprofitable. It has reconsidered its "anti-franchise" stance and is now developing franchise relationships to broaden distribution. That "nimble strategy" will allow it to make quick inroads into unfamiliar territory. They have also: opened in less ritzy locations, localized store designs and rolled out loyalty programs.

12/2/2013

Etsy, an online ecommerce portal that sells craft-type products, threw out an owner with little business sense and brought in Chad Dickerson, who stabilized the site technologically and expanded his seller base to represent a MILLION shops. He trusted the staff to a radical degree, decentralized authority, was transparent about change, found time for the future with breakfast planning sessions and did whatever's necessary to get the job done. Now, investors are pushing him to grow further, but his core sellers, home based, soulful craftsmen, accuse him of selling out. He faces an existential crisis: remain with his company's core (and limit growth) or broaden the base with new categories of products that are going to be more standardized, products that are not connected to the company's original mission. If Dickerson doesn't broaden, his pending IPO may be unsuccessful.

8/21/04

Luxury on the Cheap: Carpool Culture: "Michael" Redux: Women's couture designer, Michael Kors, is launching a new line of moderately priced versions of his classic designer look for the 'carpool culture.' He tried once before with 'Kors,' but barely advertised, so it was discontinued after penetrating only 100 stores. The same thing happened when Isaac Mizrahi launched Isaac, a collection of lower priced clothes for department stores that suffered from both design and quality issues. Anemic up-front spending and insufficient investment in promotion beforehand doomed Isaac's failure. Lesson: Find ways to offer a broader audience a lower priced version of your most unique and distinctive product, then promote aggressively. Don't assume a few trendsetters or resellers will pull the masses.

Partners Attract Reseller Support: Kars also hooked up with investors who helped him gain premium floor space in department stores, which is exceedingly difficult.

7/13/04

Pier 1 used to have the housewares retail market to itself. But now it's being niched and its sales are not growing. On the high end, Restoration Hardware and Pottery Barn are taking market share. On the low end, Target is taking customers. The solution? Thin out its merchandise assortment to focus more on unique products that can't be found in other stores and less on commodities such as dishes and candles. With media more fragmented and network TV ever more expensive, Pier 1 wants to replace its traditional national advertising with more locally oriented ads. The idea is to have more flexibility to react to local markets.

May 12, 2013

Sony posted a profit for the first time in five years, thanks mostly to streamlining, belt tightening and a weakening yen. Their business is flat to down in consumer electronics because they have fallen behind the manufacturing and marketing prowess of competitors Apple and Samsung – they were not nimble enough; they are floating along on the success of a few film and music blockbusters and financial services. They have failed to create synergies between electronics (hardware) and entertainment content, which is the Holy Grail. However, they have become more global, which spreads risk, and utilized Creative Destruction, dissolving unprofitable ventures: it shed its unprofitable chemical business, dissolved unprofitable flat panel TV manufacturing alliances with Samsung and Sharp and sold expensive real estate. They are betting on the development of a new Playstation game to pull the company out of the doldrums.

Friday, May 07, 2004

After losing hundreds of millions in recent years, Sony's film division is has had five profitable movies in a row. The secret? They sharply reduced costs, formed an alliance with BMG, developed lower priced fare and got their executives to work together. (They were previously known as one of the most dysfunctional companies anywhere.) They forced marketing execs and production execs for one project to work together and be accountable together. But who knows if staffers will accept the new chief exec, Michael Lynton?

Sony has also reorganized its TV and audio groups so that would work together instead of being so insular. Together, they designed a powerful 3D speaker and sound system for new TV sets, demonstrating that it has recovered its innovative edge. Proud, stubborn engineers were preventing them from revitalizing pockets of old engineering culture.

The Publishers' Information Bureau suggested that magazines' ad sales numbers 'could be' up 6% in 2003. But the reality is that frustrated advertisers need short-term sales increases, which magazines can't provide – so sales plummeted 21% in 2001 and 2002 and are expected to be flat again in 2003. So far this year, they're down 2.3%.

The culprit? Cable delivers the same niche demos. Besides, advertisers don't believe circulation numbers anymore. Most importantly, the collective pitch of magazines is tired. Media buyers are getting bland presentations. Publishers are just throwing their sales people at media buyers in the hope that something will stick, as opposed to coming up with marketing programs that really work. The industry seems beleaguered right now."

Friday, October 10, 2003

TRUSTWORTHY EMPLOYEES ARE THE IDEA DU JOUR: Citigroup's Smith Barney is trying to recover from a $400 million stock research scandal by launching new TV ads that tout the integrity, reliability and quality of its financial consultants. "This is how we are. This is how we earn it" is the tagline. It may work with older prospects, but it's probably not fresh enough to hook younger customers. This is the same line of thought being used by FleetBoston Financial.

In 2003, GM's management team recognized that improving the base auto business alone will not be enough. Even Toyota, considered by many to be the most successful auto company in the world, has just a 7.6 percent operating margin, a 3 percent return on assets, and low-single-digit annual sales growth. Most other auto companies have numbers that look a lot worse.

GM's management and stakeholders want to do better.

The solution developed by CEO Rick Wagoner and his team is to continue to push hard at growing the base business, but also look for opportunities to supplement that growth with a few profit drivers in peripheral but related businesses. In the mid-1990s, it looked as if they might have discovered one. It was a business concept that used new technologies in an exciting way to address many of the latent issues associated with owning and driving a car.

ADDED VALUE: Instead of just 'delivering a product' like a traditional vendor, the idea is to offer several related services that would improve the economics of the customer. But it's a lot more work. However, with the help of artificial intelligence, is can be done.

August 31, 2003

PRICE VERSUS NEW PRODUCTS, FOCUS VERUS BUNDLING: HP's share of global PCs has dropped from 20% in 2000 to 16% in 2002, due to Dell's price pressure. Meanwhile, Dell's share of US market has increased from 26% to 32% while HP's has flattened out at around 19%. HP has tried to fight this trend after the Compaq acquisition by streamlining company processes including reducing component and shipping costs. Still, Dell's costs are way below HP, partially because HP is introducing more than 150 new products that are building around PCs and printers. HP wants to boost margins from 5% to 10%, while Dell's margins hover around 8.5%.

HP's President insists they must be in the PC business to sell lucrative corporate contracts, which is 60% of its total sales and the margins are higher. But some think HP should get out of PCs altogether.
"HP is much more than PCs. Dell is not."

Tyco overcame an unethical corporate culture and subsequent debt crisis changing the whole board and corporate management team. "We don't want to see the foul line. We want to be way back from it." Then, they set up a regimented operating system, which it never had. They also set up a strategy- setting-process, which was reviewed with the new board.

Peugeot Citroen was headed for a bleak lonely future in 1997 in Paris. It was torn by a rivalry between its brands, was losing money and following a strategy that defied conventional wisdom. It had not plans to produced luxury cars or SUVs and couldn't compete in scale with DaimlerChrysler.
Since the dark days of 1997, it has become one of the most profitable carmakers in Europe because it eschewed strategic alliances, which were embraced by GM/Fiat, Chrysler, and Ford/Jaguar. The key? Make sure Citroen and Peugeot stopped battling each other for the same customers and stopped designing cars that looked alike. Also, saving money by combining production facilities and using the same basic parts for most of the company's vehicles. Also: Launched a succession of 25 new vehicles…. focusing on DIFFERENTIATION without being encumbered by red tape associated with alliances.

Local phone companies like SBC have to reinvent themselves as competitors enter their turf. MCI and AT&T are creating price-driven offers that SBC couldn't match. AT&T has lowered its prices three times in 2003.

To fight back, SBC is entering new lines of business, bundling various services and offering them in package deals at steep discounts. It is imbuing its employees with fervor to sell. The goal is not just to hang onto customers but also to avoid being turned into a utility that is used by providers for a fee. Others are launching plans that allow for unlimited long distance calling and local calls for a single monthly fee.

They are enlisting employees' support by putting up posters that remind employees of their responsibility to refer and sell, creating videos that tell workers how to behave as a team and giving them leaflets describing SBC's latest promotions. REFERENCE SOURCE: Americans for Competitive Telecommunications

157-year-old Corning Inc. (known as a research haven focused on doing what's best to nurture innovation and a cozy bond of company and community) had morphed into a fiber optic powerhouse, but floundered when the telecommunications industry sank swiftly into deep recession in early 2001. The company pulled out its old CEO (James Houghton, whose great-great-grandfather founded the company) to cast off sputtering businesses and lay off nearly half the workforce. Houghton has replaced the fiber optic business with high growth technologies like pollution filters for power plants and ultra thin glass used in flat-screen computers and televisions. Corning expects a 20% jump in annual sales of LCDs through 2006. The size of the glass and the size of the market will grow consistently for years. Corning could be in the black by 2004.

Corning conducted research with the *customers of its customers*. Lynn Hinderaker can help you do the same thing.

EXTEND THE BRAND'S DNA. OLD INTO NEW: Take it off the shelf; update the brand story without losing the brand personality. But you must enhance its performance as well or add new features or the nostalgia emphasis will be impotent.

Dormant brands, established long ago, have a rich history. Their 'brand story' is built in. They are ripe for revival. E.g.: Crackerjack, Ovaltine, Care Bears, BMW's Mini Cooper, the Clark Bar, Earth Shoes, Tang, Ford Thunderbird, PF Flyers, Nissan Z, Vanilla Coke. But brands that failed out of existence are different than brands that faded out of existence. Don't choose a loser, like the Ford Pinto, to revive.

Vanilla Coke has revitalized Coke's soft drink business, which is only growing 1% industry-wide. The drink helped the company rebound from a year ago loss in the first quarter. CEO Douglas Daft has launched the "Innovation and Development" team to duplicate the RAPID INTRODUCTION and aggressive marketing of new products as a surer way to boost revenues than finding new advertising slogans for older brands. In a way, this strategy duplicates PepsiCo's success in the past two years with introductions of cherry-flavored Mountain Dew Code Red and Pepsi Twist. (Pepsi introduced six new products in 2002; Coke introduced four.)

Coke also named a person to the new position of 'chief innovation and research and development officer' to lead the "Innovation Team."

Do you need an 'Innovation Officer' inside your company? Do you need to send a new message to the marketplace? Consider Lynn Hinderaker.

For the last seven years, McDonald's has seen per store unit growth stagnate, so they promoted an insider to head up marketing. His focus? Improve in-store short-term promotional execution, and then get immersed into what motivates our customers. Then they finally fired CEO Jack Greenburg around 12/9/02 in an attempt to send a message to the marketplace. They initiated a value menu, which Burger King responded to. After months of margin deterioration, they made overtures to Burger King, suggesting both companies stop the price war – which is probably price fixing.

CORE BUSINESS: Next, they reached into the past and elevated Fred Turner to head of product development, focusing their next stage of revitalization on recapturing the familiar taste of its burger patties (with new seasonings and cooking procedures) as well as spearheading product innovations like panini sandwiches and subway-style sandwiches.

SIMILARLY, Burger King is veering away from a 99-cent value menu message and back towards a product quality message after pushing nearly 20% of its stores close to bankruptcy. The rising popularity of higher quality casual themer restaurants has taken a big toll on the two fast food giants.

McDonalds moves to the field with its marketing dollars and cleans house upstairs.

The business model for magazines is broken and they have no choice but to change. The industry is over-dependent on advertising is unwilling to charge more for subscriptions and has a shaky partner in the newsstand distribution channel. Some folks advise that the games being played with circulation end. Although others feel that reducing rate bases would be viewed as a sign of weakness or they would balk at the resulting increase in cost-per-thousand ad prices. Others discuss an up front market like network TV, although it's not in the best interest of media buyers to have to deal with an upfront market.

Generational change: Rolling Stone must reinvent itself because the Gen X reader it is targeting doesn't think it is hip anymore. It's like Levis jeans: both are icons for a generation, but young folks perceive Levis as 'my father's jeans' and Rolling Stone as 'my father's magazine.'

TV Guide's eroding value is dragging Gemstar down.

K-Mart's Jim Adamson turned around Denny's so he's now trying to revive the retailer by focusing on Hispanics, not pandering to them. His only leverage point is that he's got lots of stores in heavily populated urban areas. He's delegating merchandise control to local managers and trying to solve long term problems with poor inventory controls and lousy distribution. His first step is to get shoppers back in the store, but he's got to watch out: Anglos may be put off

April 25, 2003: Coming out of bankruptcy: CEO Julian Day closed stores to shed money losers after losing over $3 billion in 2002. His next strategy: a broader product line, more house brands (like the Martha Stewart line), more signature brands like Joe Boxer and carefully matching the products on the shelf with the demographics in the local market. Analysts are skeptical because they say the chain has FAILED TO SECURE A NICHE with which to secure market share. However, Julian Day dislikes the idea of niche marketing: "I think you choose a smaller niche at your peril."

Both Adamson and Day missed the key point: they didn't listen to customers, so their marketing was off. They embraced 'everyday low pricing' to compete with Wal-Mart. But their core customer was a deal-hunter. They appreciated the 'blue-light' specials. Bad error.

Lucent's new CEO is trying to choreograph a complex turnaround originally engineered by predecessor Henry Schmidt. Nortel's technology for expanding fiber optic capacity proved far more popular. Big Internet clients folded on them. Demand for wireless is also plummeting. Now (10/12/02), Leap Wireless has defaulted on them and their breakeven for operating profitably is still too high. Some analysts suggest that they vacate entire product lines or geographic regions in order to get the company's structure in order.

Stop selling to customers who are experiencing declines of their own: Sara Lee, makers of Jimmy Dean,

LEAD THE CUSTOMER, DON'T FOLLOW THE CUSTOMER: AOL is fighting back (against subscriber inertia, financial mismanagement and zero growth in dial-up) by promoting broadband connections by allowing multiple users on one account to be online at the same time if they are on a broadband connection. TRANSITION MARKETING OPPORTUNITY: They have an opportunity right now (10/12/02) to create new features and applications (like true video on demand or easy-to-buy-and-burn music) that will enable them to reclaim leadership over Microsoft in the Internet industry.

The music industry is fighting against piracy by allowing specific bands to add value, start fan clubs online and bypass the retail channel.

Sun Microsystems' McNealy is struggling with the fact that the cost of purchasing entry-level systems is going down dramatically, thus impairing margins. Also, teams of small cheap computers can now do just about all the jobs that once were the domain of Sun's machines. Windows, his competitor, is getting better. He's lost $800 million in 12 months and five of his top lieutenants. His focus now is developing brand new products powered by an 11% allocation to R&D (compared to 6% for IBM).

But Dell servers enable customers to cut costs in half and the cost of long-term ownership as well.

"It's hard to be a major player and have your only capability be innovation, "says Kevin Rollins, President of Dell. "It's about innovation, cost and quality. You need all three vectors going simultaneously."

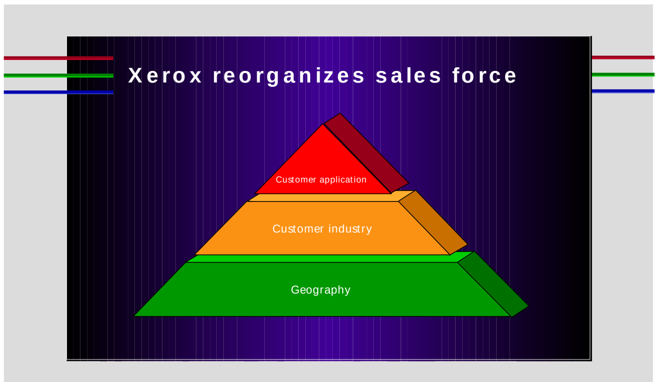
"Anytime a customer starts to identify solutions as expensive, its time to recalibrate the cost equation," says John Wilkerson, President of EDS Global Alliances

May 12, 2013

Xerox is trying to reposition itself around core competencies other than printing, such as digital signage and outsourced business processing and call center capabilities.

11/22/99

Xerox brand name not worth the premium: lower price competitors - like HP and Canon - with



Multifunctional machines that double as printers and copiers are killing Xerox. Meanwhile, they're reorganizing their sales force to be more customer-centric, but it's causing yet more instability. Staking out the high end is not working. Bought Tektronix to have a color-printing product. Losing sales in the mid-market segment.

8/27/99
Toys R Us has been struggling and lost its top position to Walmart: didn't buy deep in toy 'gotta haves' in Xmas 98, plus stumbled badly with its online store. Fired CEO. Its packed-to-the-rafters strategy may not still are viable against powerful discount chains. The key is to make the store a 'destination' again.

Gateway is repositioning itself: instead of hardware, it becomes a lifetime provider of consumer services such as Internet services, e-mail appliances, etc. (Apple understands this trend, Microsoft doesn't). Its Country stores are doing well despite predictions that they would be an albatross. They dropped the 2000, cow imagery and revamped the logo to minimize the folksy overtones. They recruited a new management team from outside their industry to expand their horizons. They're going up against Microsoft and AOL, so it's a risky path.

By mid-2003, however, they are still losing money. Their strategy is to continue to expand into the full line consumer electronics supplier for the upscale home.

Number 3 Maytag (16% share) has popped out of a slump in the early nineties and is challenging Whirlpool (36% share) and General Electric. (30% share) They suffered from me-too products and price / margin pressures, despite their reputation for durability and needing little service. They invested in higher price features and cool new designs that made them stick out. They developed many new products, especially the Neptune, a front loading, expensive washer that had preacceptance in the industrial market before gaining consumer acceptance. They also gained a new distribution partner when Sears decided to carry their product line.

However, business isn't completely fixed. Their mid-market sales are slumping because of their new emphasis on the higher tier.

Nabisco's Jim Kilts faces the problem of how to inject some energy and fun into the cookie and cracker segment, a $7.2 billion market lead by Nabisco; they must convince people that cookies are not just for kids. The category is being attacked by salty snacks and new 'indulgence foods' from Keebler and Kellogg. Problem: marketing spending was slashed in the eighties to help service RJR's massive debt load created by its famous leveraged buyout in 88. Marketing spending fell from 8% of sales in 87 to below 5% in 97. Besides, Snackwell's is not growing much because people are interested in products that are more indulgent than their low-fat products.

* * *

Levis has lost its luster. Levi Strauss lies off thousands of workers as its margins plunge from competition at both the high and low end of the jeans market.

So has the Gap. 10/10/99 Indeed, the Gap is flat: broad based lifestyle retailer suffers flat sales for six months in a row. Analyst’s claim that Old Navy is cannibalizing as well as Abercrombie and Fitch, the Limited and American eagle (who says 'We can target the teen customer's lifestyle more precisely rather than trying to be all things to all people.) "Customers think of Old Navy as the Gap with lower prices."

Devastating research news.

Nevertheless, the Gap's advertising is still sharp. Kids against white backdrop, singing a retro Madonna song, pushing vests and in late 2002, stripes.

In 2001, the Gap's sales were 13.8 billion, but it failed to turn a profit. It pioneered basic fashion, but it was too easy to knock off. When it turned to flashier looks, it alienated its core customer. Now, its focus on basic fashion isn't working. As of 9/27/02, they've suffered a 28-month decline in same store sales. Therefore, they hired a new chief executive who was in charge of Disney's theme parks, hospitality and amusement rides veteran. His skills are technology, marketing and consumer segmentation.

Nordstrom's grew too fast. Too many buyers working on their own without a coherent look; they didn't use customers to collect and discern customer trends. Most importantly, in-house teams on a regional basis created marketing and ads so there was no consistent message.

Fixes: Cut ranks of buyers, put new info systems in, and hire an ad agency to develop a branding campaign. Create more defined areas of responsibility for the management team so they don't undermine each other. Try to be younger and more sophisticated.

UAL (United Airlines) is turning the corner with on-time departures and high technology sign-in stations at the gates, which expedites the flow of passengers. Employee ownership ESOP was a part of the labor cost cutting agenda, which required concessions. He called it an 'unopened present.' Pilots and mechanics sacrificed wages eight years ago to cut costs. Their union practiced micromanagement. They also tried to launch a business jet service that didn't work.

How good is your company at collecting and discerning postmodern customer trends? Lynn Hinderaker and WOWBIZ are trend mavens.

Their only solution: Pare down costs and competes with the no-frills airlines.

But on 12/9/02, it filed bankruptcy. The key issue is lousy service, making their advertising a joke. Continental and American Airlines have similar situations. So do American, Delta and Northwest. All of them misfired after 9/11, fussing over leg room and in-flight services instead of providing cheap seats and a hug.

In the late eighties, Heinz's current CEO, Bill Johnson, had the responsibility of turning around the moribund pet food division which includes Nine Lives cat food. He cut prices to boost sales, and then figured out a way to cut costs of production and distribution to preserve margins. He later did the same thing at Star-Kist Tuna.

Still, the cat food business suffered, so he tried new packaging (a four pack). In Europe, he replaced 70% of his managers, centralized manufacturing and distribution and focused on a high potential area, Germany.

Ann Taylor Stores, catering to customers in their thirties and forties, is working its way back after fashion missteps and firing its charismatic leader. In 1996, things looked very bad. Then they hired a new management team, including a merchandise manager from Bloomingdale’s and a Prez from the Gap. Their customer is extremely loyal to the one-stop wardrobe concept. They charge less than the upscale department stores, plus it's easier to shop. The store is uncluttered and has wood floors.

Mattel had to do the same thing. They are stumbling because they is over-relying on a star product (Barbie) and because its CEO is unwilling to listen to those with differing views, including customers and employees. She is a great shoot-from-the-hip marketer, but not a long-term strategist, financial manager or developer of people. She got her ego too entwined with the brand, marketing herself as a Barbie guru. Plus, the board of directors needs new blood that realizes the need for change.

RELEVANCE: Redbook Magazine outsold by Better Homes and Gardens, McCall’s and Family Circle is repositioning itself to appeal to 'today's woman’ in her late twenties to early forties that has outgrown Cosmopolitan.

Redbook's new focus: romance with your husband, self help and motivation, no time, a total human being...the Juggler of careers, marriage and children.

Audi has had a turnaround in sales the past two years, but its (January, 99) TV campaign leaves people flat except men, Midwesterners and the well-educated. Audi's focus is to project the idea of having several different versions of their car for the marketplace.

"Putting the thought back in selling cars."

In the late nineties, GM's Ron Zarella's approach to turning around GM's lethargic marketing was to use "brand management” to create a distinct image for each of GM's 80 car and truck nameplates through sharply focused ads and marketing." Replace division heads with brand managers. Throw out the bad dealers, force new locations, speed up the process of revamping products, segment the market more finely than anyone else, increased ad budgets, ad pre-testing and tracking after it airs, bundling brands together in the same outlet or channel. "We are dealing with a part of retailing that hasn't been changed in years."

GM plans on changing its image of 'sedans for older people' by introducing more new models and shortening the product development cycle.

CROSSOVER: They plan on fusing two different types to establish new hyper-functional niches. It's possible because of lowering costs with technology makes the construction of an automobile 'modular.' \\

The goal: freshen the model line every 28 days and speak to younger people.

After 9/11, they went to 0% financing, which worked well but killed their margins.

Meanwhile, (12/9/02) Ford is also nine months into its turnaround program, claiming some success in reducing production and operations costs. They put the CEO on TV, which - research proves – indicates weakness in the public's eye.

10/12/02: GM needed a greater aura of acceptability for its cars, so they hired Bob Lutz from Chrysler to enhance their image. They are refocusing on umbrella advertising for the GM brand rather than the "cacophony" of pushing individual brands. They've identified advertising as their key factor for success, so they changed the process for creating it, eliminating the exhaustive testing and bureaucratic reviews that tended to water down their message's memorability. The function has been taken away from brand managers and given to 'ad directors.' Consumer testing isn't required. As a result, they've gotten Cadillac CTS's Led Zeppelin ad and an ad from Madonna: "My Baby's got a Secret."

GM is trying to emulate the turnaround success of Chrysler in the early nineties and Volkswagen in the mid-nineties.

However, as of October 18, 2003, Daimler-Chrysler is again focused on reversing five years of market-share losses by adding a new product – a redesigned Dodge Durango SUV with a price below competitors and less than the smaller model it replaces, starting at $26,565.

Novell's Eric Schmidt has turned the former leader for corporate network software around by talking to other industry leaders. They lost their 50% market share (93), which plummeted to 27% by 97. The key: pour resources into products where Microsoft doesn't dominate. Focus on products that work on the Internet as well as on corporate networks (like E-commerce). Seek out the smartest employees and listen. Clarify the marketing message. Develop a reliable way to predict revenue. Improve credibility.

Nissan vehicles are high quality and cheaper than Honda and Toyota. Yet, Nissan lost $580 million by June 98, and expect to lose $36 million more! Turnaround strategy: change its $200 million ad campaign ("Enjoy the Ride"), focusing less on entertaining brand stuff, moving toward product-specific copy that educates about quality.

Other moves: 1) retrain dealers to focus more on features, less on price. 2) Re-design flagship Maxima;

Problem: over-reliance on sedans, which are selling slowly in the overall market.

Chrysler-Daimler almost decided to purchase Nissan in spring, 99, but passed so they could focus on integrating the two very different companies from Germany and Detroit.

Practicality over tradition: the turnaround by Daimler-Benz's Mercedes parallels Chrysler's.

Daimler slashed costs, listened to customers and introduced innovative new products.

Motorola, once respected as the industry leader in wireless, underestimated the demand for digital cellular. They fell victim to slow, bureaucratic, unresponsive service and new product development. Been surpassed by Nokia and Ericsson, who produce snazzier phones.

Boston Chicken is slashing overhead and advertising (from 10% of sales to 6% of sales) in an attempt to free up some cash to pay creditors. They also may sell some portion of Noah's Bagels, which they own a portion of. They are also licensing their brand name to Heinz to sell food at retail.

NEW RETRO PRODUCT: Volkswagen is counting on the return of the Beetle to revive its brand in the US. VW's portion of the market is barely 1%. Quirky design, low price and legendary dependability created a cult following. The new Beetle will be an upmarket, lifestyle vehicle. A 'fun' car. (Consider Joy of Use) However, the market for two door sports coupes has contracted rapidly as Boomers age into families and practical minivans.

Clever marketing is the KEY.

By spring of 2003, they are abandoning the Jetta, whose sales had slowed, and joined the SUV trend with their first SUV.

Guess jeans have had its core domain invaded by other competitors and become a victim of price chopping, first initiated by Calvin Klein. Its attempt to become a global powerhouse has fizzled.

Rolls Royce is nearly out of business, while Volvo looks for a buyer ...possibly Ford.

CBS continues to dwell in the cellar of broadcasters. They came in a distant fourth among the adult demographic group most preferred by advertisers. Yet they are first in total households and total viewers watching. "Do we want to get younger, rather than just attracting the over-49 year olds? Sure."
CBS has tied in with a sports Internet content provider.

Corona Extra, the yuppie brew of the eighties, is staging a comeback by appealing to working class Hispanics, positioning itself as an affordable status symbol and to declare a newfound pride in their heritage.

How did electronics giant Best Buy orchestrate its turnaround?

- Throttled back store expansion.
- Instituted tighter inventory controls on PCs.
- Began tracking sales weekly to determine which models to order.
- Cut back on on-hand stock.
- Slashed number of models carried.
- Trimmed number of low-end products carried.
- Bought from fewer suppliers, so that the flow of goods was more consistent.
- Fewer price markdowns.
- Began selling extended warranty contracts.

Charming Shoppers (Fashion Bug)' president and CEO, Dorrit Bern, turns around the struggling retailer by: a) quickly laying off a third of the work force, b) closing 294 under-performing stores, c) arranging fresh financing, d) expanding product lines, e) revamping the merchandising strategy. Its Fashion Bug stores will move into the black this year for the first time in two years.

Walmart replaced Sears in 1991 as the nation's largest retailer. It was succeeding with its attempted turnaround? Softer Side of Sears seems to be working. But suddenly (late 98), sales get soft and the marketing guy resigns. The management staff isn't committed. They're milking the retail side. In September 2001, they replaced "Good life at a great price. Guaranteed" with Sears: Where else? It mixed branding and product pitches and was viewed as an improvement, but …
It has adopted a high-low marketing strategy that focuses on using low prices to woo customers, then upsell to non-sales items. They are also giving their stores a facelift, turning them less into department stores and more into a hybrid with shopping carts and easier checkout procedures. The chain's sales fell 6% to 10% through 2002, prompting the turnaround efforts.

Apple Computer: can they reinvent themselves after plunging to 3% market share from 9% share? After suffering losses of $1.7 billion over 21 months? Only with Microsoft's help ... Steve Jobs leverages the success of the iMac with new colors and flavors. Yet, by spring, 99, they are one of the few hardware suppliers that are still seeing gains. Compaq and IBM are considering getting out of the business.

Mazda cars are trying to break free from the grip of Ford while benefiting from their resources.

No one knows how to orchestrate a comeback better than TBWA Chiat/Day's creative chief, Lee Clow. The architect of some of the nation's best advertising has overseen the resuscitation of the agency now owned by publicly held Omnicom Group.

Revlon fragrances: cosmetics came back under Ron Perelman, but fragrances haven't turned around under Steve Perelman. Only Charlie is still in the top 10. But Steve is launching She in late August, 97 with Halle Berry as spokeswoman

Viacom's Frank Biondi criticizes USA Network's Kay Koplovitz soundly. Then, Barry Diller buys most of USA away.

Blockbuster Video is looking for a turnaround. Its Prez came and went in one year.

Kansas City, Missouri, is positioned in WSJ as needing a turnaround.

TCI cable attracts new money from the Texas-based Bass family and Comcast has attracted money from Bill Gates - all based on the early success of digital services and a rosy impression of the future. In early 99, AT&T, who then also buys MediaOne, buys TCI.

Eastman-Kodak’s digital imaging business has lost $100 million in the first six months of the year.

4-H Clubs of America are being aced out of funding, leaving observers wondering about 4-H's appropriate "position" for the future.

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Saab, the tiny but well-regarded brand owned by GM and a Swedish investor group, is putting its entire future on a new model, the 9-5. It is their turnaround gesture to help them sell 150,000 units per year.

CompuServe has been purchased by it flashy rival, American Online; AOL intends to make the staid service more useable and easier. (Actually, WorldCom bought CompuServe, and then exchanged it for AOL's network subsidiary.)

The Reader's Digest is a sleepy monolith that needs acquisitions and product changes to put it back on the line of consistent, profitable growth. A senior consultant - Marcia Lefkowitz - will become President of Readers Digest USA.

Pepsi-Co has failed in its international beverage business, spun off its restaurant division and seen its domestic market share stagnate at 31% for the last 10 years (including a disappointing Slice brand). Roger Enrico is thinking of renaming the company "Pepsi-Lay" or Pepsi Frito Lay" in recognition of its snack food division that has posted $6.7 billion in operating profit for the past five years or 43% of PepsiCo's total for the same period.

Bonneville has moved from comparisons with Jaguar and Lexus to an ad concept entitled "Luxury with Attitude"

This white paper has been curated and authored by the NEWbraska™ Network, specialists in transformation and product innovation. Principal Lynn Hinderaker is a serial industry disruptor and has changed the rules of the game four times, beginning when he was 19 and convinced the Secretary of Agriculture to expand an agricultural youth organization into the inner city. Today, there are 4.5 million youth involved in urban 4-H.

Lynn also co-created the first Value Menu for Taco Bell and its ad agency in the late eighties, a campaign that was called "the most dramatic turnaround in the history of fast food."

Lynn Hinderaker is also the founder of Growth Dynamix Consulting, WOWBIZ Radio, WOWBIZ Nebraska and WOWBIZ Super Quiz. He is a "meta trainer", an economic developer and an insightful executive coach. Lynn is available for new product development, business conferences, trade shows, executive interviews, workshop facilitation, online marketing campaigns, collaborative book writing projects and acting as your community's spokesperson on YouTube and Vimeo

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