

# A change is gonna come

Organised marketing can beat this present financial crisis



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## Abstract

The present financial crisis should signify the end of boasting, selfish capitalism and mega bonuses. The hope is that bankers have learned the lessons of common sense and reliability once again. This is also the end of the belief that everything should be handled by the business world.

In the 1970's politics seemed to bury the ideas of Keynesian economics. Politicians were not applying his theory correctly and seemed only to utilize our tax money via vote catching popular policies. Keynes (1883-1946), a British economist, had a simple theory based on the circular flow of money; i.e. when one person spends money it goes towards another's earnings and when that person spends they are supporting another persons earnings.

This cycle continues and thus supports a normal functioning economy. Keynes advocated that the authorities should invest, in order to stimulate demand and make a profit.

At the end of 2008, the authorities pumped \$2000 billion into the global economy. The stock value of companies was vastly inflated when compared to their real value. Banks

must now return to acting as the financial buffer between governments, industry, and consumers. Society needs a strong authority and a strong business world.

Generally speaking, the way to improve the economy is by employing a green economy. This can be done by using solar and wind energy; by following the plans of the European governments to decrease the CO2 emissions by 20%; decrease energy consumption by 20% and increase durable energy by 20% in 2020.

If the USA, China and India, as the main pollution producers do not follow the plans of the European countries, they will miss the biggest challenge to improve their economies.

The USA has much to do regarding its own infrastructure. It seems, over the last ten years, that they have forgotten their own society.

The new government of President Obama has pledged to increase the investments in new roads, durable building constructions, durable energy sources and reduce energy consumption, creating a new economy and many new jobs along the way.

It is important not only to look at the CO2 emissions, but also to follow the Living Report of the World Wildlife Fund. It explains the ecological footprint of countries in the whole environment of consumption and total waste production.

How much raw material a country has consumed, what the energy sources are in order to fulfill its own living conditions. You will see that almost all Western countries have too little ecological ground available per inhabitant and have to either reduce the population or decrease their consumption.

## The challenges

This article presents the challenges for glass businesses involved in both architectural and automotive operations during this time of economic crisis. How they should prepare for the coming years and the long term future.

Glass as a material has distinct advantages; it is produced with a good energy balance and is recyclable. It has excellent properties as a unique building material. Moreover, it is light and solar energy transmitting.



Glass businesses are not aware of the fact that the market has now changed from a buyers market to a sellers market. The glass industry does not know how to take advantage of this new situation and become an active marketer.

Furthermore, the glass industry does not exert enough influence on the construction, engineering and physics in order to optimize the façades for a better environment inside the building and to reduce the building owners' costs for energy and therefore CO2 emissions.

Automotive glass producers are more successful in working together with their customers in order to develop the right solutions for their market. Most architectural glass producers are also automotive glass producers, the two activities have been split however and the architectural glass industry pays little or no attention to what their colleagues on the automotive side are doing, from a marketing point of view.

#### **What to do in a crisis?**

When confidence is low and the banks aren't lending, a downtrend hits the entire economy: Consumers don't buy cars or take

out mortgages for houses, project developers get no financing for new projects and the industry gets no credits.

With the current stagnation we should assume a negative growth rate for 2009 and perhaps also 2010. The automobile industry has already been substantially affected. Whereas the construction industry will probably still function well this year as many projects in the building process are set to be completed. However, I believe the end of 2009 will see a hiatus, due to unplanned financing for new building projects.

It would be understandable if the glass industry reacted to this crisis in a passive manner. For instance AGC repairs two float glass plants in order to reduce capacity. Alternatively one can be pro-active, which for the building construction industry is not an easy thing to do, and is even less easy for the glass construction sector. Price alone should never be used as the main marketing tool.

Marketing is a complete part of Management and is not confined to just one role. In the glass industry, Management decide on which markets are served, the Production Manager

decides on the technical line, the Human Resource Manager is concerned with personnel, and price is the domain of the Sales Director. The Marketing Manager believes he is solely responsible for the advertising.

In the glass industry there are few true marketing experts, there is little or no proper training, as there are in other industries. In order to be able to anticipate fluctuations relating to market conditions, one must know and understand the needs of the customers, one must know which new trends in architecture to expect.

Armed with this essential knowledge, the desired products can then be developed and adapted according to the size of the market as anticipated.

#### **Senseo effect at the building**

The large glass manufacturers cook different soup: For example in the automotive glass sector, development is undertaken with the customers to produce the final product. However, in building & construction one does not find this efficient cooperation. To me this is incomprehensible.

These industries should take note of the 'Senseo effect' – creating successful alliances. Electrical machine manufacturers and coffee producers worked on a goal: To establish a simple coffee machine on the market, which must use special coffee pads. The result in sales was more than 15 billion coffee pads sold per year with a turnover of 100 million Euros.

Imagine a similar co-operation such as this in the building sector where you could increase the glass demand in an equal way, or more.

Today if a new building is provided, the glass industry proceeds from a certain need: outside insulation glass, perhaps even as triple ISO and then glass for the interior. And that is usually it. It could however, be so much more.

For example, each new building or dwelling draws about seven removals, which means an average need of 3,5 new kitchens. One counts on 10,000 new buildings and thus 35,000 new kitchens.

By using more glasses the following can be easily computed: 19mm strong kitchen sill plates from glossy finished glass or colored enameled with an antibacterial coating. These inclusions would be good alternatives to stone or plastic plates. The increase in value for the consumer: optically responding glass plates with antibacterial characteristics which other materials cannot provide.

Another example is with bath mechanisms where a similar effect is conceivable. Such increased uses would serve the glass industry well. If one wants the 'Senseo effect' to reach the glass processing plants they have to work more closely with partners than they currently do.

This type of co-operation is not happening enough within the glass industry. All parties involved in the production chain must talk with one another and plan together in the optimal case, and develop products together.

The glass industry should be more open to ideas and become strongly active. Glass manufacturers should not only think of the tonnage produced.

They should not react passively to the crisis by, running float plants on low flame and/or closing and reducing prices again.

This raises the question of the value in price reduction. Price lowering can, at most, bring a little more market share, however the size of the market stays the same. In order to increase this, one must operate an active marketing policy and sell. Study what the market wants then differentiate according to the desired new products to develop and offer. And most importantly: Do not think in volumes, but in margins.

#### **Mr C.K. Prahalad - on an intimate relationship with your customer**

- Co create experiences with your customers, listen to what your customers say to you, and incorporate this in your products and sales to others.
- You work for different customers at the same time, each customer is unique, but together they can be a like-minded group of customers.
- Use the strength of others, you can obtain the raw materials for your products or services from anywhere nowadays; R=G; resources=global.
- The key is an innovative network, work with other companies, large and small, and with universities.
- Keep your business open, always looking for the next idea or business proposition.

The volumes of manufactured glass are currently too great leading to over-capacity. In the 90's, in Germany (insulation glass) the volumes developed were in the order of 40 million m<sup>2</sup>, but the requirement at that time was about 20 millions m<sup>2</sup>.

Today we are still building new float plants. With the current price erosion only the commercial glass enterprises can profit. They command the largest use because they can barter a good deal and thus increase their margins. They do not have pressure from production, they can actively sell and are able to offer all desired specifications since they can select the respective manufacturers freely from the market.

In addition, I must say that the glass industry does make good progress. For example, Saint Gobain has introduced a whole new range of special products to the market in the last few years, with which the glass processing plants and window manufacturers can obtain higher margins. Guardian also has strived for this with auxiliary functions (e.g. Diamondguard)

on the glass substrate. And Interpane with Ipachrome a product range with completely new characteristics which architects are now enquiring about.

#### **Mr. Tom Peters - indefinitely in search of experts**

1. A preference for action. Couple the decisions keep on meeting customers . (Johan Cruijff said: you must shoot, otherwise you know you will not score)
2. Stay close to the customer. Listen to the customer to their complaints and observations. The customer is not only king, he can improve your knowledge and product in practice.
3. Space for autonomy and entrepreneurship: listen to your own employees initiatives. This nourishes their appetites and improves development. Give time and attention to people and departments which come with renewing suggestions and ideas and reward them for it.
4. Productivity by means of people: employees are your most important possession; treat them as such. Each employees work is vital for the success of the venture.
5. Floated by practical values: managers must know their company and show this on the shop floor. Passion is the magic word.
6. Shoe-maker remains at you shoetree: do what you are good at; stay in the market which you know and are master of.
7. Simple form, small staff: keep your organization simple with a minimum of middle management and superfluous office staff. Some very successful companies have no middle-managers anymore.
8. At the same time: lead the company with a tight hand, but also let your employees get on with the job. Let them know what your company message and task is, but let autonomy flow letting the pace go in the search to the best manner of doing business.
9. 21st century is the century of the woman: as a consumer, as an employee, as a manager. The era of the macho manager is gone. Is selling a woman's game?

Nine good reasons why women can do more than men; Who can concentrate on more than one thing at the same time? Who sees more representatives? Who generally pays more attention to detail? Who makes easier contact with new people? Who asks more questions



in a conversation? Who listens better? Who communicates better? Who ensures more harmony and like-mindedness? Who has more intuition?

**John Kotter asked himself: who leads us to a new iceberg?**

1. Create a feeling of urgency. Convince your people of the need for change. If a problem exists it is quite often the employees who are the last to know. By the time that the employees are informed, it is quite often too late, for example because the competition is now selling more products. For instance Toyota were outselling General Motors in the United States and so the largest company in the world found itself on the edge of bankruptcy and still had the employees not the feeling that change necessary was.
2. Form a leading coalition of vital employees from several sections of the company. Each department has its ASTRE: employees who are listened to more than others. Five, ten or fifteen employees should be formed as part of a coalition which the company must persuade that change is necessary. Employees will take on a difficult message from a direct colleague rather than from the boss.
3. Develop a vision and strategy Where are we going and how do we get there? The vision is the broad message, the strategy is the step by step route which explains how you want reaches the aim. The vision nor the strategy needs be one hundred per cent perfect, but the route must be clear and convincing, so that the whole company can believe. Follow the route step by step and gain believers then the skeptics and suspicious ones will be won over. Believers will accept a small adaptation in the strategy, Whereas the skeptics with even the smallest modification will seize this as proof that the change process is not good.
4. Communicate, communicate, and communicate.

The standard mistake of management teams is that after long-term mutual consultation on drive and several brainstorming sessions the change strategy is developed; they write in a note and put it in all the employees post boxes on a Monday morning. Or perhaps a small email is sent out to convene for a plenary information session for the staff. This is a big error. You must explain vision and strategy many times. Communicating the message is the most underestimated component of each change strategy.

5. Remove obstacles. Create an atmosphere in which the change processes can be understood. Isolate the bored people by organizing activities which are especially nice for people who are already persuaded of the need of the change.
6. Short period generates successes Celebrate those successes and name the heroes of the change process.
7. Do not hold back the high tempo high and fall back to the old ways The moment the change process in the inevitable slower water arrives, it is for many people tempting to say the old way was better - do it the way we always did.
8. Make the change permanent Create a new culture. Replace the old traditions with the new. Take care in all

aspects that everyone remains alert and the new patterns will rapidly take hold.

**Leadership lessons of Kotter;**

- There is a large shortage of good leadership, not only in businesses, but also in political realms.
- Managers frequently consider themselves as LEADERS, whereas that is often not entirely the case. Managers can often be the worst in leading change.
- We all have LEADERSHIP qualities in one form or another. We must select which properties they are and learn to exploit them fully.
- Three universal actions that characterize a good LEADER;
  - Develop a clear vision and strategy,
  - Communicate that vision and strategy well
  - Create stimulating surroundings

**Eight steps to reach successful change;**

1. Create urgency
2. Form a leading coalition
3. Develop vision and strategy
4. Communicate
5. Remove Obstacles
6. Short period celebrate successes
7. Keep a high tempo
8. Make changes permanently

Good LEADERS know when it is time to go

