

The Business of Risk Reduction, Innovation and Marketing

By Dan Logan

Because the purpose of a business is to create a customer, the business enterprise has two—and only two—basic functions: marketing and innovation.

—Peter Drucker

Is risk reduction and safety the mega driver of the next decade?

For so many companies, whether business-to-business or consumer-focused, clients today have become very much focused on reducing their exposure to risk. We see it in banks clamping down on lending, in growing families staying put in their homes instead of buying new, in the boost to the personal savings rate.

No doubt, this is due to the times. Businesses and high-net-worth individuals have seen first-hand the consequences of game-changing financial, economic and environmental events these last few years. Assets they worked so hard to accumulate have vanished. Now, many say they focused too much on growing those assets, and not enough on protecting them. And they're determined not to make that mistake again.

This gives new value to products that reduce risk. In a sense, managing risk affects how we approach many things, from health insurance to long term care, to business and property liability, to retirement planning, to internet security, to environmental concerns and climate change, to alternative energy. Even the car we buy and the water we drink are impacted by our tolerance for risk. So where does risk reduction sit in the value that you offer?

In this question, there is opportunity. Businesses that can find new ways to deliver less risk will thrive. It's no coincidence that so many IT companies have shifted their sales pitch towards problem-solving and taking your worries away. But it takes more than marketing to succeed; solution-based selling won't work if you lack the solution. And today's buyers—burned so often lately—are far more cynical than they were even five years ago. They'll perform due diligence and seek proof that you can deliver what you promise. For many businesses across many industries, sustainable success will require innovative and distinct approaches to reducing risk.



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How does a business focus on innovation and risk reduction?

First, understand the customer mindset and where you can help them reduce risk.

For a long time, convenience was king. And it became the major driver for so many American companies. We had *portable* bottled water, *online* shopping, *fast* food restaurants. ATMs and credit cards and new, improved versions of *disposable* diapers all sold on the basis of convenience. Today, it seems, driving down the cost of risk, or providing safety, is a major driver for both companies and people. We're thinking harder about what kind of insurance we buy, in whom we trust with our money, in the credit card we use and the car we drive, and in how much of our lives we put on the Internet. The consumer is in a new state of mind, and business must meet them there.

Next, focus on good sourcing, disciplined hard work and simplicity to create innovative products.

It's true, creative genius occasionally strikes. But most people who have been involved in bringing an innovative product or service to market will tell you it is mostly about hard work, focus, process and experimentation. The best innovations come from understanding changes in the world around you and reacting quickly. In a phrase: keep it simple.

And always, look in the right places. We see four areas, in particular, that are ripe for innovative thinking. They offer great opportunity for companies, in any industry, that can quickly embrace big changes and come out on the other end with products that help people reduce their exposure to risk.

Demographic Change

We've all heard plenty about the aging Boomers and what they might mean to healthcare, financial planners, and homebuilders. All of these businesses must be aware of the risk management mindset of this huge population. But Boomers are just the tip of the iceberg in terms of innovation and risk reduction. There are demographic bubbles across our population that can impact education needs, for instance, both for youth and working-age adults.

Immigration is opportunity as well. The demographic makeup of our nation is in flux and that presents a host of opportunities that vary across region and industry. Understanding how they'll play out can open all kinds of doors.

Game-Changing Natural Events

Just in the last few months, we've seen a volcano wreak havoc on air travel, watched the impact of earthquakes in Chile and Haiti, witnessed unprecedented flooding in Rhode Island and Tennessee, and just begun to imagine the impact of the Gulf Coast oil spill. Overnight, these events reshuffled the deck for industries from fishing to construction to medical supplies. And they remind us that, with disaster, comes risk. And opportunities to address that risk in innovative ways that makes life better for those in harm's way.

Structural Change in an Industry

Changes in technology and distribution are re-making whole sectors of the economy. Look at what the Internet has done to travel agents, publishing and the news media, even the U.S. Postal Service. The winners and losers in all this are too many to count, but, just one example: It is clear that as more of our lives move online, protecting what we put there—from financial to health to personal information—will all become ever-more important. Similar opportunities abound.

Perception Change

Brands rise. And brands fall. And just in the last year, we've seen some once-impregnable brands fall hard. Tiger Woods. Toyota. Goldman Sachs. So this is a time of opportunity for LeBron James and Derek Jeter, for Honda and Ford, for whoever might hope to compete with Goldman. How can they make the most of it? By focusing on safety and/or by promoting their services and products as they decrease risk or take it all but out of the game entirely. And by shifting a bit to fill the void, or emphasizing what they've always done best.

At Trinity Marketing we believe there is a considerable opportunity for businesses that seek a better understanding of the role risk plays in the mindset of their clients and prospects. We would enjoy talking more about this topic. We hope it generates a few ideas and conversations in your next marketing meeting. Contact us at 617.292.7399 or dlogan@trinitynet.com.