



# Now is the Time to Embrace Situational Awareness

Will it be cloudy...stormy...at risk of (another) severe event? Uncertainty around what the market environment will look like in the second half of 2023/2024 swirls with every economic report—some positive, others negative. While ongoing monitoring of trend data is necessary, we believe taking action now to be selective about where your company is investing its sales and marketing resources is the prudent course to take.

The concept of situational awareness is often used with respect to how pilots, surgeons and police officers (among others) avoid errors in judgment when faced with a life-threatening situation. This is not that... However, we think situational awareness also broadly applies to go-to-market strategy as it is foundational for a winning strategy when market conditions are difficult to predict. Having deeper insights into how, why and where customer behaviors are changing in response to business pressures or fluctuating demand will suggest specific segments of customers, types of channel partners or geographic markets to focus on for better returns.

Here are three tangible examples of shifts already happening that alert producers could focus on.

1. Remodel growth fueled by home maintenance, not big remodel projects.
  - During the COVID years, big remodel projects were pulled forward to make the home environment livable and enjoyable. Data from US Census Bureau suggests that kitchen remodel projects grew at 3X normal rates between 2019 and 2021
  - WSJ's coverage of Home Depot's May 2023 earnings call reported that the retailer saw consumer spending on these types of discretionary projects wane faster than expected through the spring period
  - Lack of homeowner movement and an aging U.S. housing stock (median age: 39 years) is expected to fuel smaller remodel projects for many years. These projects will focus on overall upkeep and lowering of home operating costs
2. Affordable housing momentum fostering different initiatives and dynamics at the local level.
  - With a national undersupply of housing at ~1.7M units, and a growing chronic homeless population (close to 600K), affordable housing has become a hot policy issue, especially in metro areas and coastal cities
  - Changes to single family zoning to increase allowable housing density, elimination of parking space requirements for new multi-family developments, release of permit-ready building plans for accessory dwelling units (ADUs), incentives offered to convert office buildings to low-cost housing, etc. are among the various, local initiatives being pursued to create more affordable housing units
3. While manufacturing is healthy overall, process industries are outperforming durable goods
  - According to the Census Bureau's Annual Survey of Manufacturing, total output grew 3.2% over the last four years, while both CAPEX and MRO spending increased between 5.5% and 6%
  - Discrete manufacturing output declined by 2.4%. While capital expenditures increased 3.7%, MRO spending fell 4.5%
  - By comparison, process manufacturing output increased by 6.6%. CAPEX and MRO spending grew by 6.2% and 7.3%, respectively

# Rank Your Company's Situational Awareness

All competitors can see pockets of opportunity in a steady state market. However, as these three examples demonstrate, situational awareness can separate market share “winners” from “losers.” In our view, “winners” will have a better understanding of underlying dynamics that are changing as markets shift. And they will have built leading positions by investing sales and marketing resources in activities, programs and geographies that are targeted at segments moving in the right direction.

Lynn Cullotta Consulting suggests doing a quick diagnostic to determine which market behavior changes are starting to affect your business. Note: This exercise is meaningful if done on a segment basis—not for the market overall.

**Which of these changes could be impactful enough to adjust your company's go-to-market strategy?**  
(Highly impactful=5, Medium impact=3, Low/no impact=1)

1. **Have share positions become significantly more or less concentrated at any level?**
  - Manufacturers \_\_\_\_\_
  - Channels \_\_\_\_\_
  - End-use customers \_\_\_\_\_
2. **Have buying practices changed? Have you seen significant shifts in revenue generation?**
  - By customer segment or geographic market \_\_\_\_\_
  - By customer \_\_\_\_\_
  - By order \_\_\_\_\_
3. **Has there been a measurable shift in channel preferences? If yes, among which customer segments and why is it happening?**
  - Direct → 3<sup>rd</sup>-party channels \_\_\_\_\_
  - 3<sup>rd</sup>-party channels → Direct \_\_\_\_\_
  - New channels (e.g., ecommerce) \_\_\_\_\_
4. **Has there been a measurable shift in your brand position within key channels? If yes, why is it happening?**
  - Product, pricing and availability \_\_\_\_\_
  - Economics (including margin, incentives, rewards/recognition) \_\_\_\_\_
  - Programs, support, relationship management \_\_\_\_\_
  - Innovation, demand creation \_\_\_\_\_
  - Other \_\_\_\_\_

Lynn Cullotta Consulting recommends that you take a deeper look at any of the factors that you rated a 3 or 5 to get a better understanding of what amount of change is occurring, in what segments and in what direction. Based on this insight (and data), your team can evaluate how to reallocate sales and marketing investment to strengthen your position as the winds of change move in a favorable direction for your company.

If you'd like to discuss the results of your quick diagnostic or consider taking a deeper look at specific changes in market behaviors, please contact Carl Cullotta at 224-239-2525 or [cpc@lynncullotta.com](mailto:cpc@lynncullotta.com).