



Thrive Through Economic Downturn

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Your company does not have to suffer during an economic downturn. To thrive during challenging economic periods, however, you need up-to-date strategies. Follow this path to steer your company safely through economic rough waters:

Become truly customer-centric – Many marketers talk a good game about being company-driven, but most companies have lots of room for improvement. Take a hard look at your customer base. Whether you are in the retail or wholesale sector, know exactly who your customer is and determine how they will be impacted if the economy tightens further. What will happen to their buying habits? Savvy marketers who intimately know their customers will be able to accurately predict changes in buying behaviors and not get taken by surprise.

In addition, remember that all is not gloom and doom. Recession cycles can actually increase sales in certain market segments. For instance, historically in tight economic markets, many families tend to take car rather than air vacations, which means retail opportunities abound.

Adjust product mix and inventories – If you determine your customers' buying preferences will change, alter your product offerings to match those preferences accordingly. Re-merchandize plus monitor inventory levels more carefully. There is an amazing amount of data available from universities and suppliers about consumer recessionary buying behavior. Use this research plus your own common sense to create the correct product mix and inventory levels for the times.

Redefine your ABC customers – When economic change impacts buying habits, your best customers may not remain that way. As buying patterns change, constantly reassess and analyze your "A" or best, most profitable customers. While you shift your service focus to the new "A"s, don't ignore the former "A" customers. If the economy shifts again, they could become "A"s again and you don't want to alienate them during this interim period. My personal coaching clients have experienced strong bottom-line improvements through careful attention to customer stratification. (See www.hiddenprofitscoaching.com for more info.)

Proactively prevent bad debts – Particularly for wholesale marketers, analyze the main industries represented in your customer base and take proactive steps to identify those customers that will be impacted the most by a potential downturn. Once these customers are identified, take collateral and/or reduce credit limits as needed.

In addition, train drivers and sales staff to be alert for customer downtrends, including a system in place for reporting and reacting to potential problems.

Be alert for capital opportunities – During economic downturns, many companies suspend or severely curtail all spending due to cash constraints. This leaves good deals and discounts for companies that have done their customer homework, modified their product offerings and marketing strategies, and whose strong cash flow enables them to continue to expand during those times. From equipment to other businesses, a recession cycle means opportunity. Watch for bargains and expansion opportunities. (If not yet registered in our buyer database, call us at 817-594-0546 as we have some really interesting companies for sale.)

Manage debt interest rates wisely – Locking in low, fixed rates on capital debt is smart strategy for unsettled times. One has only to look to the early 80's and remember prime at 20% plus for incentive. It's better to lock in too early at a rate slightly too high than to risk the dangerous upside.

Protect against refined price risk – With crude prices uncertain, any company that moves significant amounts of refined product must become even more knowledgeable about price protection. Savvy wholesale marketers will be able to capitalize on uncertain times by offering their large customers opportunities to purchase and lock in price-range windows. If you are unfamiliar with the various ways your company can offer your customers and yourself price protection, excellent experts in this area are Darren Dohme and Dave Chatterton of Powerline (now RJO Financial). They can be reached at (217) 351-9030.

Form alliances – Now may be the perfect time to join forces with the competition. Instead of knocking heads and beating each other up on price, consider whether an alliance or formal merger makes sense. Would you both gain operating efficiencies by joining forces? If so, it may be time to put your pride in your back pocket and open up discussions.

Create an incredibly positive company atmosphere – Good people like to come to work and they want to have fun at their jobs, no matter what the economy is doing. Try extra hard during an economic downturn to conscientiously create fun in the workplace. Your employees may be under the financial strain of other family members' layoffs plus being bombarded with plenty of negativity from the press. To counteract that negativity, make your workplace a haven. Catch your people doing things right. Celebrate even the small successes.

By truly focusing on your customer, responding to their changing product and service needs, minimizing unnecessary fuel price risks, managing debt wisely, capitalizing on timely opportunities, and creating a fun, happy work environment for your employees, you'll sail through any downturn and be poised for tremendous success in the decades to come.