

## What's Good About a Recession

03/17/08

What's good about a recession? There's more and more talk of one, and it occurs to me that not everyone suffers equally. Can you talk about how to take advantage of a recession, in order to help me and my business focus on the upside?

This reader is right. One company's recession is another company's opportunity. So, let's look at the glass as half full. Certainly the hundreds of businesses that go under in a recession wish for better times. However, typically, for every 1-2 that go out of business, 1-3 remain standing, depending on the business sector, and length of time you're measuring. Why do some manage to get through a recession while others fail? And how do some come out the other end of a recession even stronger than when they entered that period? That's what we'll look at today.

It takes intention, focus and drive to thrive during and after a recession. Things like strong cash flow, deep reserves and healthy profit margins are key indicators of success. So are commitment to sales and marketing. A recession is also a prime time to weed and feed your organizational structure. Running scared, slashing expenses, eliminating promising but as yet unprofitable tests, cutting out marketing and sales expenses in order to save money, are likely to

cost more than money – they may cost you the business.

We're now past the point of preparation. Building up reserves in advance of a recession is a no-brainer. I hope you've already done it. If you haven't built up reserves, you now have to be very careful with the balance between income and expenses.

Take a look at the business sector you're in. Does your industry usually do well, poorly, or about the same, when you're in a recession, as when you're in a boom economy? If your industry segment does well in a recession, your time may have come to prosper. You just need to make sure people out there know your company exists. And that means marketing.

If your industry segment flattens out, or even worse, falls off in a recession, you need to think about putting your foot down on the gas pedal – otherwise known as sales and marketing. Growing your business in a traditionally down economy means you have to win market shares from someone else. That means you have to have a compelling reason for customers to buy – because you're better, faster, more efficient, more involved in delivering solutions to your customers. Express those compelling reasons in marketing pieces. Whatever you do, don't plan on cutting out sales and

marketing dollars when the economy turns ugly.

Length of time

How long has your business been around, and how likely is that to impact your business? First of all, if you've already weathered a recession, go back and look at trends of your business as well as your competitors. What did your company do right in the last recession that contributed to it's still begin here now? If this is your first recession, read up on what happens to your industry and your typical clients' industries during a down business cycle. Figure out how to spin your product offer, to make it a tool for customers to use to keep their businesses moving forward.

If your industry typically goes close to comatose in a recession, which, unfortunately, some do, you may want to think about buying into another business that is up and running in another business sector. Don't just stand still and watch revenue dwindle away; use what cash flow you have to get moving. Or, shut the business down as close to zero as possible and wait things out.

Some fail, some come out stronger – what can you do to make a positive difference for your business? Look at your financials closely. Is your business making money? What can you do to insure it makes money? What expenses can you

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cut out without cutting into sales and marketing?

Don't be afraid to raise prices just because there's a recession on. Niche your product and build up your brand to add strength in the marketplace. Putting a spin on what you do, that makes you unique and special, and add a premium price charge for that niche.

Find some customers in industry segments, who do extraordinarily well in recessions and then figure out why they would want to buy your product. The next step is to focus your marketing dollars on those prospects.

### Watching the Bottomline

Cut expenses by getting rid of employees who aren't pulling their weight. Increase productivity by upgrading positions. Look for "A" caliber players who are shopping around because they're concerned about the longevity of the companies they work for now. Whatever you do, when it comes to expenses and opportunities to increase output, don't hesitate. Make the move. It may be the edge you need to keep your business in the "still open and thriving" category.

As a recession takes hold, the quality of people on the market, looking for alternative job offers, tends to increase. Go through your employee roster. Who's outstanding and who is only mediocre? Target a few of the

mediocre employees for replacement. Look people who are willing to make a switch in order to get into a good company. Often these people aren't actively looking, as they may fear making a poor choice in a tight employment economy, where if you don't produce within a short period of time, you're out.

Looking for a good book? Try *Failure, Inc.. 52 Ways to Go Under In Business*.

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