

Thriving in the current economy



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While these are undoubtedly uncertain times the fear-mongering of attention-seeking headlines would have you believe we are in the depths of another great depression.

While it certainly pays to stay abreast of the marketplace, there is little evidence to suggest that it pays to shut up shop and batten down the hatches. On the contrary, history has shown that with the right strategy, decisive action and a dose of courage, economic uncertainty can provide opportunities not seen under normal conditions.

Now is the time to revisit your strategy and adjust accordingly. These volatile times will provide incredible opportunity in certain market segments – it's a matter of looking for them.

It was reported in *The Advertiser* recently that Education Adelaide is using the lowering Australian dollar to entice Chinese students to study in Adelaide. This is a classic example of identifying the opportunities of the current climate.

There are other industries, from property developers to caterers, which could take advantage of this alone.

A recent *Business Week* article stated 70% of CEOs and boards will ask themselves the wrong questions about economic uncertainty. They will ask 'how do we minimise the impact to current earnings forecasts?', instead of asking 'how can we take advantage of these times to grow the business?'. The latter is a long-term strategy – you can't do both.

Cut the fat not the meat

In a study of US recessions, McGraw-Hill research analysed 600 companies covering 16 different industries from 1980 to 1985. The results showed that business-to-

business firms that maintained or increased their advertising expenditures during the 1981-1982 recession averaged significantly higher sales growth, both during the recession and for the following three years, than those that eliminated or decreased advertising. By 1985, sales of companies that were aggressive recession advertisers had risen 256% over those that didn't keep up their advertising¹.

During the 1975 recession, US carmaker Chevrolet faced increasing inventories and the oil crisis. It increased marketing budget, shifting the focus to the fuel-efficient cars in their range, while Ford went for the cost-saving approach, slashing advertising by 14%. Chevrolet increased its market share by 2% as a result².

Locally, an example is Yalumba. The past four years have challenged the wine industry through oversupply, drought and a fluctuating Australian dollar. Yalumba has increased its marketing during this period, launching its 'Talk. Eat. Live. Laugh. Share Yalumba' advertising campaign. During a time when many wineries cut their marketing expenditure Yalumba has increased its market strength significantly.

While competitors 'knee jerk' and pull back, the opportunity exists to advance by investing in sales and marketing activities. This can be achieved by cutting the fat, not the meat. Reducing the standards of hotels, or travelling economy makes sense, but eliminating all travel is a recipe for disaster because customers need assurance now more than ever.

- Invest in good advice and getting to know your customers.
- Understand the difference between an investment and an expense.

The discipline of implementation

Formulating a decisive long-term strategy, investing in marketing, focusing innovation on customer processes takes guts. It requires leadership to implement. Strategy rarely fails in the formulation, but in the execution.

Create a rapid response, quality conscious organisation. GE took the strategy to be number one or number two in any market it is in. It's strategy is to focus on quality using Six Sigma, which they made famous by implementing it flawlessly across the entire business. It created an ethos known as the GE Way, which was a simple philosophy, focused around the discipline of implementation.

These are times of opportunity, not doom and gloom. Now is the time to differentiate. These times present an incredible opportunity for the diligent and open minded. Recessions provide opportunity to:

- Build brand equity
- Solidify position with existing customers
- Gain new customers
- Make inroads on competitors who have cut back on investing in growth

To quote Warren Buffet, "We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful."

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Footnotes

1. 1981-1982 recession. McGraw Hill – Advertising during 1981-1982 recessions creates a 275% sales growth by 1985.
2. Advertising during a recession. Publication: direct marketing 1991



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