



# Steal Their Lunch Money

Duane A. Carey, CPG-10305

There are only two types of companies in the midst of a recession. The weak ones wither and die. The strong ones gobble up market share. Which one are you, and what will you do about it? If the history of the last 10 recessions since World War II is any guide, then around half a million business will fail in the next year or two as this recession develops. You'll have to work hard and smart to avoid being one of those statistics.

Technically, a recession is defined as two consecutive quarters of negative growth in GDP (gross domestic product). The first two quarters of 2008 showed positive growth in GDP, and the third quarter showed a very small decline at 0.3%. So at the time of this writing (late November 2008), after two years of the media carping about our economy being in recession, we're still not there. But I think we will be by the time you read this in early 2009 and the fourth-quarter numbers are released. How do I know? It's not because of severe declines in the housing market, massive bank failures, or cash-hemorrhaging in the American auto industry. No, the surest determinant of a recession is when Kraft Foods starts aggressively advertising Velveeta on the Food Network as a viable alternative to cheddar cheese, at half the price.

Velveeta has been around since the early 1900s and has been successful because of its nutritional value, cheddar-like taste, creaminess, and meltability. Indeed, there are few among us who haven't had a Velveeta-based dip with chips at a Super Bowl party. My mom used it for mac-and-cheese when I was growing up, and I liked eating it on Saltines. It has always made sense to see Kraft advertising it in the coupon inserts in the Sunday newspaper or in an ad in Women's Day, but on the Food Network? No, this channel is for true "foodies", people who know words such as ragout and confit, and make dishes that require more than a quick nuking

in the microwave. So if a giant like Kraft Foods decides to spend millions on targeting this demographic with Velveeta because it's a couple bucks cheaper than real cheese, you know that a period of extreme penny-pinching is upon us.

There's a lesson in this for all of us. Do you sell a product or service that is less costly and can serve as a substitute for more expensive products or services? If so, now is the time to move them to the forefront of your offerings and aggressively point out their value proposition.

## Opportunities Abound

As with all down markets, this one is a buying opportunity. Just as depressed real-estate markets provide an opportunity to buy land at low prices, this recession will provide many buying opportunities for you. *Employees:* if you've had your eye on a competitor's top employee, now may be the time to entice him with the promise of stability if you see the other firm faltering. *Growth:* similarly, if you've considered expansion through acquisition, now is the time to pick up another firm on the cheap. *Market share:* as other firms struggle to meet client and customer demands because of diminished staff or other resources, now is the time to swoop in, better serve those clients, and win their business. *Equipment:* all equipment will be more affordable and suppliers will be more willing to negotiate terms. *Office space:* landlords will be sweating over the next couple years as office space becomes increasingly hard to fill; take the opportunity to renegotiate your lease, upgrade to larger space for the same amount of rent, or redesign the interior.

Above all, the economic downturn is an opportunity to take a closer look at your business. It's a chance to innovate; it forces you to find better ways to do every aspect of your business. What break-through approach will you identify – because you have to, because your survival depends on it?

Which of your product/service offerings are low-profit, or worse yet, no-profit? Identify them now and either eliminate or minimize them. Economic downturns are no time to engage in activities that do not support the bottom line. Similarly, which employees are not cutting it? Now is the perfect time for them to go. No one likes to fire or lay-off employees, but now is the time that you must if they're not contributing more than their cost. Jack Welch, the famous ex-CEO of General Electric, had a policy of periodically removing the bottom 5% of performers, regardless of business conditions, to keep the workforce lean. That's probably a bit hardcore for most of us, but it highlights the importance of not letting a small group of employees drag down the company.

Have you thought about reducing your price to be more competitive? Don't do it. If anything, maintain the price, but add value. Once you start dropping the price, it's often the beginning of the end.

Finally, whatever you do, don't stop marketing your business. If you do a lot of advertising, don't stop. Just evaluate it to determine where you get the best bang for your buck. If the bulk of your marketing is public relations or client & referral-source relations, keep up or increase those approaches.

McGraw-Hill Research analyzed 600 companies from 1980-1985, including the recession years of 1981-1982. The results showed that business-to-business companies who maintained or increased their advertising during the recession averaged significantly higher sales growth than those who eliminated or decreased advertising. These results applied both during the recession and for the following three years. By 1985, sales at those companies who were aggressive with their recession advertising had increased 256%. The companies who cut their advertising during the recession were up just 19% by 1985. In other words, the former significantly gained

market share, while the latter withered and probably died. These results are a stark demonstration of the importance of being aggressive during a downturn.

You don't have to steal anyone's lunch money, of course, that was just my gratuitous attempt to get you attention. But you do have to understand that the strong will survive and competitors will be coming after you, your clients, and even your employees. You'd better be ready. It's going to be a rough ride.

Duane Carey is President of IMPACT Marketing & Public Relations in Columbia, Maryland. He was a consulting hydrogeologist for 11 years prior to launching a marketing consulting firm in 2003. He earned his MBA at Johns Hopkins University (JHU), and is a Certified Professional Geologist (#10305) and past President of the Capitol Section of AIPG. In late 2005, he took over the helm of IMPACT, which was founded in 1990 by one of his professors at JHU. He can be reached at 410-312-0081 or [duane@MilkYourMarketing.com](mailto:duane@MilkYourMarketing.com)



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