

How to Survive until the Recovery

On December 1, 2008, the National Bureau of Economic Research announced that the U.S. economy has been in a recession since December 2007. The definition of recession is based around Gross Domestic Product and declines in economic activity based on production, employment, real income and other indicators. As business owners, you didn't need to have this official announcement to understand where the economy was at. The year 2008 has brought hit after hit to business profits.

My job is not to lay blame on what has happened, but to try to help the many businesses that are struggling to develop a strategy for survival. Unfortunately, I don't have the answers to help everyone survive. The economy has been riding on top of a wave and now we are in the trough. Hopefully, in 2009, we will be able to stabilize, but don't anticipate getting back to where the economy was. I predict a scale back on consumer spending for the next few years.

For the many businesses that are contacting me concerning how to survive, I have only two topics to preach. First, of course, involves spending. When your customers are not spending with you, you have to cut back on the expenses that you are incurring. You must drop your breakeven point by dropping your costs. I have no sympathy for the Big Three automakers or the Saudi Arabia oil producers when they cry that they are not breaking even. We are all in the same fix and we all have to mind our expenses.

Second, involves marketing. When you are looking at cutting those costs, don't cut your marketing efforts. That will just escalate the spiral down. Instead enhance and refine your marketing. This will take some effort and you should take the time to develop a written strategy, not just run another ad. And be well aware, you may need to make a shift to what your business sells. One of the basic fundamentals of economics is supply and demand. When no demand exists, you can supply until

you are blue in the face and still no one will buy.

So, how are you going to develop a marketing strategy? Well, work on answering some questions.

Identifying who is going to buy from you is referred to as your target market. That target market may be much different today than it was in 2007. If you were selling to the booming new housing market, you know that there are very few buyers today. Can you look to commercial construction, federal government contracting, or international markets?

The next question is to identify what that customer is willing and able to buy. Remember, this is a recession. People have reined in their spending to the basics instead of the extravagances. How can you help them to feel that they are satisfying their wants without spending money that they do not have?

Let me take you back to some textbook instruction: Maslow's Hierarchy of Motives. Maslow defined

five levels of motives, from lowest to highest:

- 1) Physiological – food, water, shelter and sex.
- 2) Safety – protection, security, stability.
- 3) Social – affection, friendship, acceptance.
- 4) Ego – prestige, success, self-esteem.
- 5) Self-actualization – self-fulfillment.

As consumers, we seek to fulfill our needs starting at the first level and as additional funds are available, we move up the levels. Right now, your marketing efforts need to focus on fulfilling the needs in levels one, two and three. The consumer may still want to have levels four and five satisfied, but the recession is forcing them to forego those items to protect themselves at the lower levels. So when you see a commercial for a Dodge Ram that is blazing through a spectacular test course, what motivation level is Chrysler appealing to? Is that where, in the current economy, they should be?

The third question to answer concerns how. Remember,

the customer will be driven to their purchase based on one of four items: 1) low price, 2) high quality, 3) convenience, or 4) customer experience. Once you have identified who your customer is and what level of motives they need satisfied, you should identify how you will present your products and services to them based on one of these items being a priority. Over the holiday shopping season, many retailers tried to incentivize the customer into purchasing based on low prices. According to the news reports, the shoppers were thrilled with buying at 50% to 70% percent off. But was that strategy a healthy marketing decision for the businesses and a fulfilling experience for the customers. Maybe your business needs to focus on providing a higher level of customer experience or a higher level of quality in what may no longer be a throw-away society.

It is hard to understand how a booming economy can turn into the recession we saw during 2008. However, historically, recessions come regularly and even though we expect our government to set controls in place to

prevent these occurrences, they still happen. Your job is to refine your business in order to be a survivor. It takes a lot of hard work. Redesign your business so that it can survive on less. Focus on fulfilling the needs of the customers. Hunker down and be a business that is required in this economy, not dispensable.

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