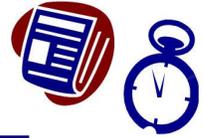




MONEY MINUTE

Business news you can really use...in 60 seconds or less!



Can Your Business Be Recession Proofed? July 2008

I overheard part of a conversation between two business owners at a recent networking event. One was telling the other that he was being proactive in our current economic downturn by making sure he was cutting costs in anticipation of declining sales. The first thing he mentioned on his hit list was completely eliminating ALL advertising.

Is this a good move? What good is advertising anyway? Does it do any good or is it a waste of money?

Recession Mentality

Every business owner knows we're in a recession, regardless of what some "gurus" say (most recently former Senator Phil Gramm, PhD, economics). Gas is around \$4.10 per gallon (and that's the cheap stuff!), grocery prices are going up, and houses aren't selling. Business owners, in general, are pretty predictable people so they anticipate the slowdown and respond by cutting costs, including advertising. In fact, some have told me they've cut out advertising completely since the first of the year. Many also starting having "sales", which hastens their downward slide, but that's the topic of another newsletter.

The Contrarian View

The reaction above might be in line with "conventional wisdom", but there are two problems with the scenario. One is viewing advertising as a COST, rather than a revenue generator. The other is the self-fulfilling prophecy of declining revenue because sales are supposed to decline in a recession (...aren't they?).

You may see advertising as a "cost of doing business", sort of a necessary evil or a hole you are required to pour a little money into occasionally, along with the cost of office supplies and the annual office Christmas party. You may spend a few hundred dollars every other month or so in the Money Mailer or on the radio, because "those folks need the money." Note that this is the same line of reasoning that people use when contributing to a charity; the results of the "contribution" are not tracked, but you sort of feel good about contributing.

Secondly, you are damaging your business if you start cutting costs and laying off staff. You're beginning a talent hemorrhage and service decline that will hasten your downward spiral. The service decline (phones not answered, attendants not available to assist, lines at the check out, shelves not stocked, restrooms not maintained) drives customers away. The laid off employees that you worked so hard to train represent a talent loss that the competition will be happy to hire, reaping the benefits of your efforts. And if business starts picking up, you have to locate, interview, screen, hire, and train new talent before they're contributing significantly. That's a HUGE hidden cost which is rarely calculated, but very frequently paid.

Recession Proofing

Properly designed and executed, advertising is a primary method of acquiring new customers! A solid, methodical sales program is the lifeblood of any business and advertising is an important part of that overall program. Ideally, you should be able to track and PREDICT THE RESULTS of your advertising efforts, right down to knowing which medium to spend a dollar in, in order to get more than a dollar of increased revenue in return.

Let me put it this way: if you knew from experience you could predictably get \$1.50 in return for every dollar you put into well executed advertising in a particular medium, wouldn't you find every dollar bill you could lay your hands on to pour into this effort?

Let me put it another way: if you want more customers, you should know how many dollars to put into an advertising campaign in order to get a new customer in the door. And you should also know how much that new customer will be worth to the business over their buying lifetime (but that's also another newsletter).

Think about it...if you wanted to add 100 good customers over the next 12 months and had metrics like that tracking your advertising results, you would know exactly how much to spend to achieve your goal and where to spend it.

**** "Why...a concept like that would make a business recession proof, or at least very recession resistant!" ** EXACTLY!**

Flourishing in a Recession

Your business can actually flourish in a recession by bucking the trend of what every other business owner is instinctively doing. Now is the time to vacuum up all the dissatisfied customers your competitors' declining service is generating. Hang onto your talent...and hire some of your competitors' that (s)he's letting go! Put dollars into promotions that you know (based on data, not "gut feelings"!) generate predictable results. And grow while the others are wondering what to do!



Now It's Your Turn

Successful businesses thrive on feedback, so I'll look forward to yours. Do you think I hit the mark or do you think I am hopelessly off target? Or maybe you have some relevant experience you'd like to share. Or maybe you have a topic you'd like covered. Share your thoughts with me at bgnewsletter@bellsouth.net or via one of the ways you feel comfortable with, below.

You may feel I'm talking in a foreign language. Or maybe you're spending money on an advertising program because that's what everybody does, but you have nothing to show for it. Or maybe you've completely stopped advertising to control costs and new customers have stopped coming in the door.

We can help! Get growing again! Call us today for a discreet, confidential consultation at no charge, if you really want to flourish and want to know more. Be sure to ask about our complimentary marketing and sales effectiveness assessment when you call. Let us show you how to flourish in a recession and double your profits in the next 12 months. You'll be glad you did.

Warmest regards, ☺

Dan Elder, principal consultant

- Business growth coaching
- Skilled facilitation
- On-location business growth consulting
- Performance improvement speaking/seminars/workshops

Author of:
Spectacular Business Growth!
**...Without Spending the Fortune You Hoped To Earn!*
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