

Up or Down...

How the Economy Affects Your Business Strategy

The sky is falling.

Someone once observed that there are no bad predictions: only bad timing. While not everyone agrees on when a recession will occur, most people believe there will be another one. The people who get into trouble during a downturn are invariably the ones who go into it unprepared. So, prepare a plan of action NOW. If you wait until the evening news announces that we're in a recession, it will be too late.

There are four steps you can do to prepare to turn a recession to your advantage.

1. Become the low-cost provider.

In a recession everybody competes on price. Why? Because when the economy goes south, customers get scared. They will no longer be satisfied with a fair price; they'll want your lowest possible price. If they don't like what you offer, they'll look elsewhere. You need a plan whereby you'll be able to reduce your prices while maintaining profitability. Consider how you could reduce servicing costs and your sales expense. Aggressively fight rising G & A expenses.

2. Watch for the signs, and move fast when you see them.

In a recession you must act quickly and decisively. If you delay, you risk putting yourself at a disadvantage. This is especially true when dealing with customers. You can not wait for them to tell you your price is too high. You must be proactive and approach them first. You need to say, "I know times are hard, and we've figured out how we can save you money by working together more closely."

So, when exactly should you move? You'll see the signs, not only in your business but also among friends and acquaintances. When sales slow, companies stop hiring. Projects are put on hold. People don't pay their bills as quickly as they used to. Your classified ads will suddenly produce results. Everyone becomes more conscious of cash. Now is the time to get closer to the people who matter most to your success—your customers. Talk to them, listen to what they say, and plan to act accordingly.

3. Mobilize your people to save jobs.

Fear usually breeds bad morale, and recessions are scary times. You can use the crisis to bring people together—by letting them know you're committed to preserving their jobs. Let them know they can help. How? By finding ways to cut costs. If you're going to reduce prices, maintain profits, and conserve cash, you need to look at every expense, both short- and long-term, and decide what can go. There's only one category to put off-limits: sales and marketing.

4. Now go out and sell.

It's ironic that going into a downturn, most companies cut the one type of expense they shouldn't cut at all: advertising. A recession is the best time to advertise. You'll never have a better time to expand your business. Why? Because everybody is asking the same question you are: "How can I save money?" "How can I survive?" People are willing to listen to anyone who can help them come up with an answer. They're open as never before. One thing to keep in mind as you go about finding new customers, your competitors may be trying to steal away your customers too. So don't ignore your current customers. Always remind them how important they are to you and how much you value their business.

If you've set yourself up as the low-cost provider; if you've moved quickly; if you've stayed on top of your receivables; mobilized your people and reduced expenses, you'll be in an ideal position to add new customers. And, as long as you've maintained your marketing and sales efforts they should know who you are and how you can help solve their problems.

Having a plan doesn't mean that you implement all parts of it at once. You shouldn't start cutting prices before it is necessary. On the contrary, keep gross margins as high as possible for as long as possible. There's a chance we won't have a recession in the near future. So, don't cross any bridges yet. There are many other things we can do to get prepared—most of which we should be doing anyway. You should do them too, whether or not you believe my prediction. At worst, you'll wind up with a stronger, more profitable company in three years.

The sky's the limit

Now more than ever—when the economy is strong and business is great you need to be working harder. As you know, if you're standing still you're falling behind. You may be tempted to ask, "How can I look for new business? I have more orders than I can fill now. I'm doing everything I can just to keep up." Solving clients' problems is what selling is really all about. Recruiting is not a problem; it's your opportunity. True, it's hard for a staffing company to find qualified candidates. However, put yourself in your client's shoes. They will tell you: "Recruiting is frustrating." "Hiring is risky." "Training employees is time-consuming." "I don't even want to consider what I'd do if the new hire doesn't work out." And, your clients will also tell you "They have a business to run and can't afford to take time away from it to look for good people." At least they'd tell you this if you're there to listen.

Most companies view the contingency worker as a fact of life offering no value to their company. Many view staffing services as all the same. And some look at the staffing industry as a necessary evil. When a staffing service just fills orders, you do nothing to dispel their shortsighted beliefs. Your job is to remind them that you can help them get what they want—results. How? By helping them with their biggest headache—recruiting. After all who is in a better position to network, place ads, run job fairs, train people, interview, screen, do background checks than a staffing service. Do your homework. Learn your client's needs. Show them how your staffing services can also help them stay competitive, increase revenue, and improve profits.

Unfortunately, the staffing industry's little secret is out. Competition is fierce and it's getting worse. Now you have to fight off both independents *and* nationals. At least with other independents the playing field is level...not so with the nationals.

The solution—go back to basics.

Building better relationships with your clients and prospects will add value to your service and justify your margins. Let them know you care. Talk to them, find out their challenges, and gain their trust. Unless you understand their unique problems and propose solutions (versus just filling orders), buyers will make staffing a commodity, reducing your service to the lowest bid. And the only winner when this happens will be the nationals, who are willing to sacrifice profits for the sake of continued sales growth. Gross margins are not as important to them as impressing Wall Street.

Better relationships with clients do carry the day. And while I'm sure you have your favorite "relationship story", here's one of ours. A staffing company in Buffalo, New York was working closely with a large commercial bank's mortgage department. Refinancing of existing mortgages was going through the roof. The bank's profits however were being severely limited by the number mortgage professionals available to review and process refinance applications. Unable to find enough qualified mortgage people, and not wanting to walk away from a loyal client, the staffing company proposed an original job sharing solution. The staffing company recommended offloading the time consuming clerical aspects of the application review process from the mortgage professionals to the staffing company's clerical temporary workers. Relieved of the time consuming clerical tasks, the mortgage professionals were able to review and process 35% more applications. Ultimately the staffing service developed this "win-win" solution because they had such a solid relationship with their client. Simply by understanding their client's business and taking the time to ask about their challenges, the staffing company became more than just a vendor—it became a problem solver.

As long as the economy continues to grow, and labor remains tight, the services staffing companies provide will be in great demand. Remember to put yourself in your client's shoes. Their problems are your opportunities. Don't compete on price—you'll lose. Bring value to the table to justify your margins. Build relationships that build business. The sky's the limit

