

## 6 Tips for protecting your long term future.....

**What we told you in October has just been confirmed by a man with an outstanding track record for building successful companies!** I've followed the writings of Norm Brodsky <http://blog.inc.com/ask-norm/norm-brodsky/> for a number of years. He's built 7 companies and is blunt, to the point and often outspoken. In his March column in Inc. magazine [www.inc.com](http://www.inc.com) Norm says.....

**Don't let fear lead you into making decisions that will damage your business in the long-term.** When you're looking at implementing cost-saving or even survival strategies, remember that the recession will end. Norm uses the example of a retailer of luxuries whose monthly revenues have dropped by 50%, but his logic applies to any business. So what does he say?

**Point #1 - Don't reduce your exposure to your customers.** The lady (Lisa) he's advising wanted to reduce the time that all of her stores were open by 2 hours a day. Norm's point - she's cutting her selling time by 25% to save an amount that doesn't compare to the margin dollars she could make in that time. Our thought - across the board cuts to marketing expenses in B2B markets, without first weighing their impact, could just as easily produce negative, long term results.

**Point #2 - Think about your people.** Lisa had built her staff carefully over a number of years by hiring and training good people who reflected her values. Norm's point - by cutting their hours she was cutting their pay - and risking losing them - instead of reassuring them their jobs were secure. Our thought - think about the knowledge of your business and the investment you've made in training that walk out of the door when you lose good employees.

**Point #3 - Be creative when cutting expenses.** Being in retail, rent was a big component of her monthly expenses. Because Lisa had 4 stores and had signed personally for her leases, her landlords were unlikely to renegotiate with her. Norm's point - be creative in the face of apparent barriers. He suggested she ask for a short term reduction in rent which would then be added to the end of the lease. Our thought - brainstorm creative solutions and write down every idea that comes up, no matter how crazy it seems. This process will unfreeze your mind and help you find things that can be made to work.

**Point #4 - Avoid the temptation to cut prices.** Lisa suggested holding a sale. Norm's point - instead do everything possible to hold the line on prices and add extra value instead, for example hold a customer appreciation event. Our thought - adding value takes so much more energy than cutting prices but once you cut prices how do you justify putting them up again? Bundle an extra add-on or service with existing products and services for a limited period of time.

**Point #5 - Find untapped markets or other opportunities.** While Lisa had 4 stores, they were all on the West coast. She had a dislike for both paying commissions and giving up control of her sales efforts. Norm's point - she had great gross margins with which to pay commissions on what would be brand new revenues and she had to

let go to grow her business. Our thought – Type A personalities (i.e. most entrepreneurs) hate giving up control and many (particularly the males, my wife assures me) have great difficulties moving outside of their comfort zone. But if you keep doing the same things then don't be surprised if you get the same (or worse) results. The economy and our markets have changed dramatically - we have to do the same.

**Point #6 – Using/increasing debt.** With very strong margins Lisa had managed to stay debt free but now she was thinking of applying for a loan. Norm's point – you can't borrow your way out of debt so get a Line of Credit instead and use it only as an absolute last resort. Our thought – by maintaining your prices and margins and using creative ways of reducing costs you can keep on generating profit. By focusing on collections (perhaps by offering incentives for quick payment), keeping tight control over inventories and working with your suppliers you can keep the cash flowing.

**Norm closes his article by echoing a couple of themes I've seen in a number of places recently.** The first one is that, no matter how things look today, the recession will come to an end. Our thought – it's sometimes hard to remember when you're shovelling the snow off your driveway in the middle of a January snowstorm that, in less than 6 months the golf courses will be open. But summer always comes. The second theme is that some companies will come out of the recession stronger than others. If you want yours to be one of them then you have to take advantage of your most important resources – imagination and creativity.

**As usual, to take issue with anything I've said** or to share your experiences, send me an email at [jimstewart@profitpath.ca](mailto:jimstewart@profitpath.ca) or call me at 416-258-9610.

**Finally, an unabashed marketing moment.** The partners at ProfitPATH have managed companies through both growth and recessionary cycles. We understand how to develop great strategies and have the experience (look for our grey hair – well, look for the men's grey hair) to know how to implement them successfully. If we can help you with any aspect of the development or implementation of your growth strategy in 2009 we'll be happy to do so. Contact us at [growprofits@profitpath.ca](mailto:growprofits@profitpath.ca) if you'd like to have a coffee and discuss your situation.