



'Difficult times mean that the customer is looking for real value'

... go forth, conquer!

For the bold entrepreneur, a recession is not a threat but an opportunity, writes Rick Molinsky

Shares dive. Workers laid off. Profits shrink. Government promises to stimulate the economy. Banks need rescuing. Gloom! Doom! Luckily, we can't believe everything we read. If we did, we would be under the bed covers, refusing to come out until the GFC (global financial crisis) was over.

Admittedly things aren't as great as they were 12 months ago. But the world is far from over. There's still plenty of money around. It's just a matter of finding it. In fact, a recession can be great for business and for aspiring entrepreneurs in particular.

Did you know that the iPod and MTV brands were born during recessions? And they're not the only ones. Microsoft (1975) and CNN (1980) were both founded during recessions. History is filled with similar stories from the eight recessions in Australia since World War II.

Even now, as some Australian companies flounder or move offshore to lower costs, others are proving the doomsayers wrong.

Foxtel, which jumped into the GFC by introducing recession deals to lure people into pay TV subscriptions, is so busy it now advertises sales jobs by urging candidates to "be part of a booming industry".

Myer has reported an increase in sales, with cosmetics, women's clothing and perfumes performing exceptionally well. Specsavers has reported a staggering 325 per cent growth in sales in the past year. And Woolworths, which owns such chains as Big W, Dick Smith, BWS and Dan Murphy's, says it plans to take on 7000 staff this year.

Independent company director and management adviser Laura Anderson says smart businesses take risks in dicey times.

"The businesses that succeed are the ones that have built a solid foundation," she says. "Their operational excellence gives them the confidence to develop more opportunities – that is, take on more risk by exploring new and diverse markets."

Retail strategist and RMIT adjunct professor Susan M. Renouf, who specialises in the fashion industry, believes if a company was truly viable before the recession, it will succeed during the recession.

"As Warren Buffet said, when the tide goes out, you see who is swimming naked," Renouf says.

Robust companies have certain qualities in common, she says: strong leadership, discipline and employees' trust.

Having employees who trust the business isn't easy – especially when staff is being made redundant. But Renouf and Anderson believe getting employees involved in the company is imperative.



STEVE LIGHTFOOT



Above, left to right: Laura Anderson, Susan M. Renouf and Amanda Goenka; opposite page: Mary Henderson

"Successful businesses realise they must develop a star team versus a team of stars," Anderson says.

"(That is) one where every employee is valued – and feels it – and understands the importance of their role."

Renouf adds that it's as simple as asking employees to come up with strategic ideas for maintaining business and profits.

"Get them involved and you may be surprised what they come up with and how committed they will be," Renouf says.

No business is immune from hard times. But the key to surfing the storm, instead of just riding it out, is to focus on the core business. "Know what is it that drives your business, makes your profits, and is the bread and butter of your business," Renouf says.

"Then make sure that, no matter what, you do that better than anyone else."

And this is where it gets tricky. After all, no matter what business we are in, we're bound to have plenty of stiff competition.

Take the Melbourne-based

GeekIT Group, which creates online custom applications. GeekIT is one of 28,000 information communication technology companies in Australia and has about 8000 as direct competitors.

That's why CEO Mary Henderson has seen the opportunity to create a niche for her company in the overcrowded online industry. She has learnt to zig while everyone else is zagging.

"Everyone is telling you (the customer) the same story," Henderson says. "We've got a great team, great product or services and we can help you, rah, rah rah ... but it's not about price any more. It's not about great people. It's not even about the culture. It's got nothing to do with that – it's about what can you offer that customer that is different

to your competitors and, more importantly, (asking) 'How can I make your job easier today? If you deal with us, what is it that we can give you which is going to take away pain from your day-to-day work?'"

Henderson calls her approach the "reverse value chain" – starting with the customer, not the technology.

"We really try and understand the DNA of the customer and from there propose different types of technology that potentially they can be touched by."

Understanding that budgets have been slashed, Henderson came up with a way to give her clients value for money.

The result is that GeekIT creates custom online applications for clients by integrating and maximising such existing online applications as YouTube, Facebook and Twitter.

"We have a look at what's available and how we can expand on that ... instead of the customer spending unnecessary dollars."

The worst thing any business – whether it's a multinational or a local hairdresser – can do at a time like this is be scared.

"The notion of fear is what most people live and breathe," Henderson says. "So if we can understand that (fear) is an acquired behaviour and that it doesn't exist ... we'll all be doing great."

But is it enough to trust that customers will remain loyal to your brand during the slow times?

"Difficult times means that the customer is looking for real value backing," Renouf says. "If they spend money, will it be worth it? A known brand is not necessarily a great asset at the moment unless it's a trusted brand."

One business that is running with this theory is clothing retailer Forever New, which has had a 50 per cent increase in sales. In fact, the chain is experiencing greater growth and stronger sales than it ever has.

Co-founder Amanda Goenka says it's about having the right product at a good price. After 11 years as a buyer for Myer, Goenka took her love for Parisian fashion and turned it into a business. Within three years, the company had 42 stores around Australia. It is now expanding overseas.

"We've created a demand thing," Goenka says. "If our customers walk into our store and they like something, they better buy it because it may not be there when they come back tomorrow and it certainly might not be there next week in their size. The process from design room to shop floor can take as little as 14 days, which also allows us to respond quickly to customer needs."

For companies like Forever New, people like Mary Henderson are a godsend.

"We've done less advertising this season and our growth is bigger," Goenka says. "Our customers are on the internet, they're Twittering and they're talking to each other on social sites ... it's word of mouth, but it's such a powerful medium these days."

Henderson adds that a company's products or service must touch people.

"Apple in my opinion has done that brilliantly," she says. "Walk into an Apple store. You may not buy anything, but let me tell you, you will walk in there and get an education for free."

Renouf adds that marketing today means so much more than traditional advertising.

"More clever marketing strategies that are keenly targeted, such as special offers and sampling are genuine and effective ways of getting a good product noticed."

No one knows how long it will be before the economy recovers, but one thing is clear: this is the era of building relationships.

"You will reap the rewards," Henderson says. "It may not happen now, but it is actually happening. It's just that you can't see the results yet." **mwm**