

# North American Management Briefs

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## You Should Know...

### No Smoking...Sort Of

The Dutch government has banned all smoking in public places with the curious exception, Marijuana, which may be smoked in the over 700 coffee shops that are licensed to sell it. Strangely, tobacco smoking is not allowed in these same coffee shops.

**The Point:** Do you think cultural differences still exist internationally?

### Watch Where You Step

A British community group in London has begun spraying dog droppings with pink paint to shame people into cleaning up after their pets.

**The Point:** It also makes it easier to step around.

### Sex for Gas

The *New York Post* reports that prostitutes in Kentucky are now accepting gas cards with a \$100 value as payment for personal services.

**The Point:** OK, gas prices are way too high now.

### Eating Healthy?

The average American spends \$100 more per year on footwear than on vegetables, reports *The Washington Post*.

**The Point:** Well I'm not sure there is one.

### August's Quote

*"You can't build a reputation on what you are going to do."*

Henry Ford  
London Daily Telegraph

## 2009 – Risk vs. Reward

Very soon it will be time to plan for 2009. That means that a sales forecast will need to be developed. Forecasting, always a thankless and difficult task, will be particularly difficult this year as the economic environment has been highly volatile. More challenging yet, a forecast typically needs to predict profitable sales growth.

Unfortunately, achieving profitable sales growth requires risk. The question is "How much risk should you assume and is it better to risk sales or profits?"

The authors hope the Q&A format below is helpful in answering that question.

### Q. Why do anything risky in an unpredictable economic environment?

**A.** Because you have little choice. Doing nothing also engenders risk, especially when your competitors are larger.

### Q. How can you control the risk?

**A.** You can't, but you can minimize it (and your career risk) by clearly defining the assumptions in your sales forecast and communicating those that are uncontrollable. They are:

- Interest rates/the economy
- The activities of your competitors (especially if they are larger)
- The potential impact of technology
- International exchange rates
- Raw material costs

These are unpredictable and every marketing professional should acknowledge this fact in their marketing/business plan. Not doing so will seriously undermine your credibility sooner or later.

### Q. Is it safer to risk missing the sales or the profit forecast?

**A.** A common question with a simple answer. Private and smaller companies should minimize the risk to profitability, even at the expense of lower sales growth. Large, publicly traded organizations typically find that their share prices correlate more directly with revenue growth rather than with profitability. They need to risk profitability in favor of growth or capturing additional market share.

**The Point:** Sales and marketing professionals dislike forecasting. It involves a certain degree of "fortune telling." Nonetheless, it's a critical task.

Discuss your forecast assumptions with the entire management team and "roll" the forecast quarterly as it will surely change.

### Largest Defense Budgets

Country	Budget (billions)
USA	465
China	62.5
Russia	61.9
France	51.6
UK	51.1
Japan	44.7
Italy	30.5
Germany	30.2
India	22
Saudi Arabia	21.3

Source: *The International Institute for Strategic Studies, "The Military Balance 2005 – 2006"*