



Growing in a Recession

2009 is approaching and it presents a difficult question, "How can you increase sales or even enjoy modest growth in a recession?" There is only one sure way, capture market share from your competitors.

Fortunately, there are proven strategies and tactics for capturing share even during a recession.

First, the facts:

- A. Recessions generate fear**, which is the principle cause of bad decisions (stay confident, your staff will make better decisions).
- B. Recessions don't last forever**, four to nine months is the average.
- C. Substantial changes in market share occur much more frequently during recessions** than during periods of prosperity.

Which share strategies work best?

- A. Acquiring a competitor.** The asking price of a company usually declines during a recession. Revisit acquisition candidates if past negotiations failed due to price/equity evaluations.
- B. Introducing new products.** Use the recession to motivate your product development/ engineering teams. Innovative products are the key to maintaining both profit margins and channel loyalty during a recession.
- C. Fine tuning your distribution process by:**
 - *Expanding your channels to fully cover all vertical and geographic markets.*
 - *Minimizing the number of competitive products your distributors carry via your channel compensation program (they will want to reduce their inventories anyway).*
- D. Increasing your profit margins** on sales to your largest accounts.

Acquisitions are desirable but unpredictable. So are new product introductions. Fine tuning your distribution process and increasing profit margins are the most reliable strategies:

A. Fine tuning your distribution process

- *List your largest competitors.* Identify those that you encounter least frequently in the largest accounts. They may have found lucrative market segments, ones that you are not currently covering.
- *Analyze requests for your distributor locations.* A geographic concentration of these requests means that you are under-distributed in a geographic or vertical market.
- *Partner with manufacturers of compatible products* that have effective OUS distribution. The dollar is still relatively weak. They may represent a private label/OEM opportunity.

- B. Increasing your profit margins.** During a recession customers tend to exaggerate the "low" prices offered by your competitors (it's the opposite during an inflationary period when suppliers exaggerate their costs). Resist the temptation to "meet competitive prices." Rather,
 - *Employ competitive intelligence* to quantify exactly what your competitors are "really" charging their largest accounts. Without this information, your pricing is speculative.
 - *Make sure that your salespeople can communicate your value proposition* especially if you are the price leader.

The Point. The least risky and most quickly executed tactic is to increase your profit margins. Competitive pricing information from your distributors or salespeople is suspect. They have a conflict of interest. Focus on your value proposition and base your bid/special pricing on real market knowledge, not speculation.

