





# DOMINATION

## GOING BEYOND RECESSION SURVIVAL

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EDITORIAL | JOHN L. MARIOTTI



## JOHN L. MARIOTTI

John L. Mariotti's book *The Complexity Crisis — Why Too Many Products, Markets & Customers Are Crippling Your Company — And What To Do About It* is available at [amazon.com](http://amazon.com), [800ceoread.com](http://800ceoread.com) and most leading bookstores. Mariotti, former president of Huffy Bicycles and Rubbermaid Office Products Group, is president & CEO of The Enterprise Group, and author of eight books business books and hundreds of articles and columns. He serves on several corporate boards, advises companies and does public speaking. He can be reached at [www.mariotti.net](http://www.mariotti.net).

People behave in contradictory ways during times of stress — like during a recession. Too many managers in too many companies become paralyzed by fear or indecision. **Recessions are part of business cycles, just like growth periods.** Thus, managing during a recession is part of a manager's job — perhaps the most important part.

But what should managers do differently? The answer is “a lot,” but not “everything.” If, as a manager, you have managed through recessions before, you may remember what to do, assuming you did the right things. If not, consider this short story:

A man was walking along the street, and as he passed a construction zone, he fell in a deep hole, one with walls so steep he could not get out. He yelled for help.

The first passerby was a doctor, who asked if he was injured. After answering that nothing was broken but he hurt all over, he saw a prescription float into the hole and the doctor was gone.

The next passerby was a minister. The minister asked if the man was all right, and when the answer was a reluctant yes, a prayer on a slip of paper came floating into the hole.

The third passerby was the man's best friend — and the man in the hole was jubilant — until his friend jumped into the hole with him.

The startled man asked his friend, “Why did you do that? Now we're both in the hole.” The friend answered, “Yes, but I've been down here before and I know the way out!”

The man in the hole felt frightened because he hadn't been through the experience before, and didn't know how to get out — fear of the unknown was natural. If you haven't been through a weakening economy before, you may think of yourself as the man in the hole.

The mere word “recession” triggers fear of the unknown. How bad will it get? How long with it last? What should we do? If these are your reactions, don't feel bad. These fears are normal when facing unpleasant events of unknown severity and duration.

The biggest mistake you can make is to act too slowly, but it's also important to act with carefully considered intent. The second biggest mistake is denial: “This can't be happening; it can't get any worse.” Yes, it is, it can, and it probably will. The third biggest mistake is to become defensive and reactive. When that happens, you will always be a step behind the competition — and a step late in meeting your customers' needs.

The secret is not to concentrate on “survival.” Instead, concentrate on *taking steps to dominate the competition*. When the recession ends and recovery comes, you'll be on top. Coincidentally, those same steps are the right moves to survive the recession, too.

Here are important steps to take when “preparing to dominate” the competition:

**ATTACK!** — By definition, a “recession” means negative growth, but that doesn't mean there's **no** business. There's just less, and it takes more effort to capture it. That's when “dominate” comes into play. If you read further down this list, you will know to choose the right customers, and push the right products. Get out there and get a larger share of the remaining business. Attack — don't defend! Be proactive, not reactive!

**CUSTOMERS** — Sort customers in descending order of your annual revenues and profits — also consider their potential. Get closer to the top customers and sell them more. Eliminate complexity added by bottom-dwelling customers; they cost more to keep than they yield in profits. There are some winners in the middle who need attention, and losers who need to go — now! Firing customers is always hard, but when the cost to serve them exceeds the profit they generate, money and time that could be used on better customers is wasted.

**Eliminate complexity added by bottom-dwelling customers; they cost more to keep than they yield in profits.**

**Don't quit when the going gets hard.** Running a business is supposed to be hard; if it weren't, everybody would be doing it.

**PRODUCTS** — Sort your products the same way, in descending order of annual revenue and profit. First, consider the items at the top. Where are they on the “product life cycle”? New and still growing, or old and declining? Which have plateaued (neither growing nor declining)? Those will decline next. Now is the time to “rejuvenate” them or drop them. Reduce the complexity drain of old, tired products — dump them and make room for new ones.

**EXPENSES** — Quit spending! Cut everything except truly essential expenses. Don't cut spending on new products and marketing — those are your future. Get rid of **all** the nice-but-not-necessary company expenses — temps, contract services, memberships, subscriptions, high-priced travel, conventions, parties, FedEx, premium flights, expensive limos, hotels, and meals out.

**CASH FLOW** — Watch cash flow like a hawk. Make a spreadsheet (you should already have one) projecting cash flow 13+ weeks out, in detail. Collect fast, pay slow; take only the big cash discounts. Use checkbook-style, open-to-spend processes, starting with how much you have and then deducting items as you spend. **Stop spending before cash runs out.**

**HEADCOUNT** — After purchased materials, people are usually the largest cost in a business. People don't just cost wages and benefits; they spend money and consume resources. Carefully evaluate your people. Sort them into four groups: A — Great — these are the keepers, and tell them so; B — Good — you want to keep them, and tell them, too; C — Fair — questionable; D — Weak — under-performing or unnecessary, and you should cut them




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now! Find the ones in the “Fair” group who can grow into “Good,” and work with them. Dump those who can’t grow or won’t grow, along with the “Weak” ones.

NOTE: These groupings have nothing to do with organizational rank — a “Great” customer service rep might be far more valuable than a “Fair” senior executive. Weak or unnecessary people in high paying positions should be cut first. Also, combine jobs to remove highly paid positions — CFO, treasurer and controller can often be combined into two jobs by reallocating work. Next, cut excess people who were added in “good times.”

**LOWER THE BREAKEVEN** — Classify expenses as “Fixed” or “Variable.” Variable costs (expenses) go into every product or service. Fixed costs are determined by decisions about the business’ structure and size. In a weak

economy, expect volume to drop — this means you must cut fixed costs fast, and resize the business to the market. Pricing must recover variable costs, and contribute to covering fixed costs, SG&A (sales, general and administrative costs), interest, and hopefully yield a profit. (Note: Using EBITDA [Earnings Before Interest, Taxes, Depreciation and Amortization] as a metric is dangerous; it excludes interest — a cash outlay.)

Getting through a recession is like getting in shape after gaining weight. Exercise — make the right moves. Eat properly (“feast on competitors”) by selling the best products to the best customers. And don’t quit when the going gets hard. Running a business is supposed to be hard; if it weren’t, everybody would be doing it. Now get out there and don’t just survive — attack and dominate! It’s a lot more fun than the alternative. 

### tips for getting away

A question of particular interest to the single-person agency was posed during a recent rep teleforum. One rep wanted to know “How can I effectively take a vacation as a one-man rep firm.” It didn’t take long for a couple of responses to develop. First, there was acknowledgement among a number of reps in the same situation that this is a common problem. Second, while there were some suggested solutions, chances are the problem is going to continue to exist. If, after reading some of the comments that follow, you have any additional suggestions, please contact Jack Foster, Editor, **Agency Sales Magazine** ([jack@fostercommunications.org](mailto:jack@fostercommunications.org)).

An immediate response was forthcoming from MANA President & CEO **Bryan Shirley**, who offered:

- Hire someone to answer the phones for that week (give them some training, including all of your principal contacts, etc.).
- List whom the caller should contact on your voice and email messages.
- Send a notice (fax would be best, so they have a written copy) to all of your top accounts, telling them whom they should contact at the principal.
- Do the same for your principals.
- Hire a VIRTUAL ASSISTANT!!

With that as a start, it didn’t take long for other single-person rep firms to weigh in on this situation.

**Paul Sullivan, Allied Representatives, LLC**, Amherst, New York, joins the chorus of those who haven’t found the perfect solution for “getting away.” As everyone we contacted for this article, he leans heavily on his BlackBerry. Something else he’s done, however, is to equip himself with a “Net card” for his laptop. “While just about all of the hotels you stay in today offer Internet connections, the Net card provides you with communications absolutely everywhere.”

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He adds that today’s rep had better have the tools to operate virtually. “My territory is so large that it’s not unusual for me to be away from a part of it for three to four days at a time. The fact is, today no one cares where you are as long as the job gets done. It’s those hi-tech tools that let you do this.”

Although he feels guilty on at least two levels when he takes a vacation or is otherwise out of the territory, **Edward Keane, American Sales Development, LLC**, Fairfield, Connecticut, finds the help he needs to fill communication gaps with electronic tools. He explains: “First, I feel guilty because I’m leaving the territory. On a second level, I feel guilty because I continue to work during my vacation, thereby taking time away from my family. But we all need our time away — we owe it to ourselves and our families.” To bridge that gap between work and time away, Keane explains “I live on my BlackBerry. Combine that with my laptop, email and phone and I don’t skip a beat.”

**Jim Nugent, The Nugent Sales Group**, Villa Park, Illinois, is fortunate that the lines he represents don’t necessitate him processing orders. However, he’s still a single-man operation, and just as others, he has to wrestle with how to stay in touch while physically absent from the territory. Just as Keane, he leans heavily on the capabilities of his BlackBerry and constantly complements that effort by using his laptop and sending emails to customers and principals.

“I’ve been in business two years and have had just one vacation in that time. Everything went well while I was away. One thing I’ve done is to put a notice on my website that provides a list of key personnel for customers to contact if they can’t reach me.” When all is said and done, however, Nugent says feeling guilty about being absent “just comes with the job of being a single-man firm.” 