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Cover Story

Recession advice

Here are 10 tips to help businesses prepare for, survive and thrive in a recession

By Jerry Hicks

Something remarkable has happened to Orange County in 2008: There's been a reversal in cross-boundary traffic. More people are coming from Los Angeles County than going there to work every day, according to the Orange County Business Council.

In 2007, the two-way traffic was about even. But before that, more O.C. commuters were heading north than the other way around.

This traffic reversal makes it all the more important that Orange County businesses remain strong during these recessionary times, local economic experts say. But that's not easy – housing prices continue to fall, which means tough times for any related field.

"There's a ripple effect," says Anil Puri, dean of Cal State Fullerton's School of Business and Economy, and one of the county's leading economic forecasters.

"Hit hardest is the construction industry, but there are also down times in the furniture business, the roofing industry, landscaping. Even gardeners are feeling the pinch. And then there are losses to the financial institutions, who depend greatly on people paying mortgages."

Lucy Dunn, CEO of the Orange County Business Council, points out another disturbing statistic about Orange County's housing market: In the average U.S. community, there are 1.5 jobs for every house. In Orange County right now, there are 4.7 jobs for every house. And in 20 years, that number will almost double if the local housing market doesn't improve.

Steve O'Leary, an author on business, and an economic and advertising consultant

based in Newport Beach, says all “big-ticket” businesses are likely to be hurt in Orange County during the recession.

“Suddenly, you decide now is not a good time to do that \$15,000 remodeling at your home,” he points out. “Or, maybe you put off buying a new car until things are better. People are more likely to find money for small indulgences like Starbucks, because there’s an emotional attachment. But spending big bucks, this just isn’t the year that’s going to happen for many families.”

So how do businesses plow through successfully during the recession? There’s no shortage of good advice on just how to do that. For example, ever heard of swimming in blue water as a money saver?

Here are 10 tips to help businesses prepare for, survive and thrive in a recession:

1. Remember the bigger picture

Dunn points out that 300,000 workers a day are headed into Orange County from neighboring areas. And that number is expected to go as high as 600,000 in 15 years. Plus, the L.A.-to-O.C. ratio will continue to favor more workers coming here, she says. Which is why Dunn wants Orange County to think about what she sees as a primary economic problem of the future, a byproduct of today’s recession: “We are losing 13 percent of our work force between the ages of 25 to 34. They can’t afford to buy houses here, and they can’t afford to commute here from other counties. So, they’re leaving us. We have to reverse that trend if we want our economy to remain strong.”

For the immediate future, suggests Puri, the best advice may not be what we can do individually, but through our communities: “The government is going to have to make some adjustments to help the economy recover.”

2. Know your customers

Jamal Abdelmuti, co-owner and manager of Jack’s Surfboards, speaks confidently about why his company is beating the competition.

“We spend a lot of time getting to know our customers and what they want,” he says. And that feedback told Jack’s not to cut back on brand-name items.

O’Leary agrees and goes a step farther: “If you reduce your advertising presence, you create an opening for your competition.”

Heath Clarke of local.com says he makes sure the customer comes first: “You have to get to know what your customers’ needs are. Who they are. Without that, you cannot grow.”

And, O’Leary says, if you want to get ahead of the pack, open a dialogue with your

customers. It will foster loyalty, and it could boost your dollar volume.

If you don't stay close to your customers, they become somebody else's customers, says Brandon Birtcher, owner and CEO of Birtcher Development & Investments in Irvine: "Much of our success is we make sure we know our customers."

3. Always see it coming

Too many companies didn't take enough precautions to prepare for a hit.

"A recession is a gradual thing, but you have to know the changes in economic conditions to do business," says Puri.

Author O'Leary points out that companies unprepared with enough capital to endure a short-term hit could face difficulties: "They needed to keep on top of swings in the economy and get themselves ready for it."

4. Do not panic

The economy eventually will turn around, Puri says: "Don't make hasty decisions that will come back to hurt you later. Don't let events dictate your behavior."

John M.W. Moorlach, chairman of the Orange County Board of Supervisors, says too often, companies hear the word recession and begin to make drastic changes, thinking such adjustments are essential to survival: "You can't let one lousy year change everything about how you do business."

5. Continue advertising

Too often, the experts agree, advertising is where companies look to cut first during a recession. "History shows that marketers who stop advertising during a recession lose market share," O'Leary says.

The same goes for philanthropy, another easy target for cutting back on costs. "Partnering with a charitable cause reflects well on you and can somewhat assuage your customers' guilt about not donating more to charity," he says.

6. Do not overextend during good times

Supervisor Moorlach calls it one of the saddest stories in business: "Things are going great, so they start taking on everything. But when the bad times hit, they find themselves overextended. What happens? They implode."

Puri agrees: "Learn your lessons, and work hard for better management. Learn to live within your means."

7. Know how to cut without losing employees

The worst move during a recession is to start laying off workers. It's hard to get them back when good times return.

"You need to watch your costs," says Puri. "But not at the expense of your work force."

O'Leary cautions companies to change their spending without cutting their spending: "For example, a lot of companies have little idea of the value of the Internet for advertising."

8. Manage your time

Clarke, of Local.com, is adamant about his top advice to businesses: time management. Too many executives work hard with little to show for it, because they waste so much time being disorganized.

"You manage your life when you manage your time," Clarke says. Better organization is a more productive way to use your time, suggests Puri: "Just find a better way to do things. Then stay with it after the downturn is over."

9. use some of that time to make your competition irrelevant

A recession is often a time to step back, says Birtcher: "You don't have to be doing deals all the time." Use those times to come up with ideas your competitors haven't had time to think about. Birtcher says it was during a downslide a few years ago that he put together ideas for new technology aimed at cutting builder costs. That technology is keeping him ahead of the competition.

10. About those blue waters

Birtcher loves talking about blue waters versus red waters. "You don't have to swim with the sharks all the time," he says. "Stay out of the bloody waters during a recession. Sometimes it's OK to just do nothing. You don't always have to be making deals with a lot of risk. Sometimes, like during a recession, it's best to just stay in the safe blue water, with low-risk deals or investments. Spend quality time in the blue water."