

THE CULTIVATION CORPS

Growing Healthy Businesses



Surfing the Economic Tsunami
Strategies for Staying On Top!

By David Dodson

Surfing The Economic Tsunami is a 5-Step Process that will help you better position your business for success in this powerfully changing business climate. Point your board toward the shore and take it one stroke at a time.

STEP 1: MIND YOUR THINKING, DRIVE YOUR CULTURE

Mind Your Thinking

As a leader, it all starts with you. Are you creating and perpetuating a sense of optimism in your life and your organization? Or are you ruled by doubt, worry and fear? The choice is yours. Focus your energy on the positive and it will be yours.

There was a point in my life and subsequently, my business, when fear and doubt ruled me. It was paralyzing and ultimately became a self-fulfilling prophecy. So, I took action. And if you're feeling the same way, I encourage you to do the same. Hire a life coach. Meditate. Listen to Tony Robbins. Do Yoga. Whatever it is that can help you refocus your energy in a positive direction, you owe it to yourself, those around you, and your business to do it.

When I shifted my thinking to the positive, the world around me shifted with it. And I suspect that you will find the same is true for you. Now, I'm not suggesting that you ignore the realities of this new business environment. But I am suggesting that you find a way to seize and maintain a positive outlook that will help you to face all of these new challenges head on.

What is the attitude of leadership in your organization? Is it what you want it to be? Is it what it needs to be to succeed? What are you doing to manage your own wellbeing and your thinking?

Engage Your Team

As a leader, you are not in this alone as you are impacting the thinking and general state of being of all of those around you. If you are feeling it, know that they are too.

What are you doing to impart the right attitude upon your management, staff, clients and partners? How are you engaging them in this conversation of positive thinking to affect a strategy for the positioning of your business? Do they know you have a plan and if so, do they feel included in it? How can you engage them in your thinking to help you move the business forward? What are you doing to make your thinking more infectious within the organization?

STEP 2: Clarify Your Financial Position

Get Reliable Information

Let's face it, times are tough but even in the worst of times, burying your head in the sand won't help anything. In fact, quite the opposite is true. Information, and up-to-date information at that, is king when it comes to staying on top of your financial position.

If you don't have daily flash reports (sales, labor costs and purchases), weekly updates and monthly strategic P&L reviews, it is time to invest in your information infrastructure. Think of this information as your GPS...without it, you won't know where you are or where you are going.

Analyze Your Financial Performance

In order to stay dynamic and adaptable, you must know exactly how your business is performing and how it responds to changes in your operations.

Conduct a thorough analysis (and projection) of your current operating performance and track key metrics that drive your business. Identify strengths, weaknesses and opportunities for improvement in your day-to-day operations as well as track the effect of changes in your brand positioning to determine what strategic actions you're going to explore next.

Shore Up Your Cash Position

Stabilizing your balance sheet is a necessity when it comes to riding out a downturn and/or taking on additional opportunities, particularly if your operation is losing money. Examine your balance sheet and explore your cash reserves, monitor your payables and receivables and explore liquidating non-core assets as necessary.

What is your debt position and what is the impact of that debt? Do you have the ability to service debt and take on growth or survival capital? If you are losing money, know how long you can sustain the burn. And if you are making money, get clear on how much you can safely use for expansion.

Information is king.

STEP 3: Keep Your Concept Relevant

Establish Your Brand Absolutes

Establishing brand absolutes is an important exercise when attempting to examine and reposition your concept in the face of changing guest behaviors. In order to not forgo the very things guests expect from your brand, you've got to identify and clarify the core reasons your brand resonates with them, your absolutes, then, when it comes time to respond to changing guest behaviors, you can address everything from price point to menus to service to better serve your guest's evolving needs while never losing the core values of your brand. For a more thorough explanation, see my "8 Easy Steps to Define Your Brand" it is a simple yet profound process, located at www.cultivationcorps.com.

Examine Your Competition

If your business is seeing tough times it is more than likely that your competition is in the same boat. But, there's a lot to be learned in how competitive businesses weather the storm and to that end, you should be studying them and asking questions. How are they responding to shifts in consumer behavior? Do you share target guests and if so, why are they spending money with the competition? Do you see key trends in looking at other businesses? Is your segment in decline? Which segments are seeing success and which concepts in particular stand out?

Redefine Your Value Quotient

In good times and in bad, businesses that offer the best value quotient (best experience for the price) always win out. It doesn't matter if it's a \$1 burger at McDonald's or a \$50 steak at Mastro's Steakhouse; there is a formula in place to deliver a higher value in the consumer's mind than their competitors. So, ask yourself how you are positioned to create the best possible value for your guests and deliver it.

Redefine Your Sales and Pricing Strategy

Today, the market is cluttered with discounting strategies making the once aggressive tactic somewhat of the status quo. And while it certainly can still be a successful approach to staying competitive, it is very important that you maintain a strategy and stay mindful of your core menu pricing. Discounting requires more than simply slashing prices on existing items. While offering lower prices, you must restructure your menu so that it can actually sustain and survive these discounts and promotions rather than force you to sell yourself right out of

business. Discounting is an ugly reality in many segments in today's market but by redefining your strategy, you might use it to your benefit.

Establish A Constant Feedback Loop With Guests and Team Members

In order to respond to your guests' needs, you must stay close to them by getting constant real time feedback on their experiences. In a small restaurant, this may be as simple as touching tables, working the floor and speaking one on one with your guests and staff. In a multi-unit organization, it may take the form of guest satisfaction surveys and close tracking of key metrics such as monitoring tip percentages and itemized sales trends, etc... And staying in close contact with your team members is part of this loop. After all, they're the ones interacting with the guests on a daily basis. If you want to know what your guests are thinking, stay in touch.

Focus On Your Core Business

To reinvigorate your brand, focus on your key assets and leverage your key strengths. Have any of your business extensions or commitments become more of a distraction than an asset? Are you spending time on businesses that have little upside for you? Strip away the distractions even if there's a short-term loss associated with it so that you're best positioned to leverage what is working. Identify your strengths and work them for your core business.

Make Choices And Get Back Into Action

Information is king but if it isn't acted upon, it doesn't mean a whole lot. While you should always be pursuing the most up-to-date information, it's how you, the leader, spend time in decision mode as opposed to indecision. When you've got about 30% to 69% of the relevant information in, make your move, set strategy into motion. By the time you wait for 70% of the information to arrive you'll already be behind the ball and you will likely never make the choice and remain "in decision". Spend time with your management in analysis then make the decision and get out on the floor and execute.

If It's Time To Get Out, Do It Fast

If you don't have the cash to keep going, you can't retool your balance sheet or increase your cash flow or feel like your segment isn't set to rebound in the near-enough future, your best option may just be to get out. If you've exhausted your options for new investors, joint ventures, et cetera, you need to think one step ahead towards positioning yourself for the future. It's not an easy pill to swallow but in times like this, top operators may lose one battle but can reposition swiftly

and even thrive at the expense of secondary players who cannot move quickly to win the battle. If you are at the end of the road, embrace it and cut your losses. Be honest with yourself and take the opportunity to explore those markets where holes are opening up every day.

STEP 4: Operationalize Your Strategy

Renegotiate Your Cost Structure

The key to intelligently managing costs is doing it without eliminating that which your guest finds of value. By starting the process with a brand reexamination as outlined in Step 3, you can approach a cost structure adjustment without compromising your core business. Start with adjustments that are invisible to the guest. While it may have been unthinkable just a year ago, in the current climate, you may be able to renegotiate terms of overhead costs like rent, vendor pricing, salaries, service contracts, hours of operations, etc. Create realistic sales expectations and adjust your expenses accordingly. Managing costs in this manner will keep you from disrupting your core offering and will help your business stay vibrant even if your segment has taken a hit and you may need to adjust your margin expectations. And if you are lucky enough to be in a segment that has benefited, take advantage of the soft market to improve your profit margin.

Invest In Your Business

You may think I'm crazy for suggesting that now might be the time for you to invest in your business but whether it is in time or money, it might be a smart time. If you lay off 20% of your staff, you need to invest your time in coaching and training to ensure that your remaining staff is present and engaged. And if you are lucky enough to have a positive cash flow, reinvesting some cash might be a great way to improve your amenities and widen the gap between you and the competition. In the tough economy, each dollar spent can go a long way in separating you from the pack and sends a powerful message to your guests and staff that your business is healthy and committed for the long run.

Make It Visible, Make It Transparent

Once you have redefined your brand, shout it from the mountain top. Communicate the positive steps you're taking to your staff so that they feel your confidence and optimism, understand your strategy and feel engaged in your plan. Even if part of your plan includes staff or salary reductions, make the cuts swiftly, in the context of the plan, and reinforce your strategy to the remaining staff to give them a feeling of inclusion and job security. If they feel that they are on-board, your business will be stronger and you will begin to reap the benefits.

STEP 5: Grow Strategically And Thrive

Take On Opportunities For Growth

Once you have stabilized and refined your brand, identify your parameters for growth. Currently, we are seeing landlords making unprecedented offers to viable brands. Where is there demand for your brand and how can it create value for landlords seeking tenants? 2009 is the year of the 'neighborhood' restaurant, those that serve as the social center of a community, and 'hermit crab' concepts, those that can cost-effectively crawl into a failed restaurant space and revive the location. Right now, we're seeing more supply than demand. In other words, there are not enough 'butts in seats' to keep everybody in business. And as your competitors go out of business, supply will go down, demand will stabilize and the business will move back towards equilibrium. Businesses that can hold on in these tough times and even take advantage of some of the fall out will not only outlast the competition but will thrive as demand returns.

Please visit me online at <http://www.cultivationcorps.com> to learn more about how I can help you remain optimistic in this powerful business climate.

Hospitably yours,

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The Cultivation Corps