Surviving a Cyclical Downturn in the Market?
or is this the "New Normal" for your business?

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The country is going through the worst economic calamity since The Great Depression and it is very understandable that some owners and business managers are looking at the economy and thinking "This is just another trial that we will get through. We have survived hard times in the past and we will survive this one."

I am here to offer some grim advice. What worked in the past may not work this time around. People think of The Great Depression as an event, a moment in time. In fact The Great Depression lasted for the better part of 10 years. Things started to turn around after about 3 years, but the "Normal" of 1929 (the year before The Great Depression) didn't return until about 1940.

Owners, entrepreneurs, and investors need to take a strong look at their business models and ask themselves; "Is my business down because of broad market trends, or has the business that I have been running systematically changed?" If you can't answer this question, you should be considering hiring an expert consulting firm who specializes in your industry.

To further explain the differences between a cyclical market vs. the "New Normal" let's look at an example of 2 case studies to compare and contrast.

There are 2 separate clients both in woodworking.

Client #1 makes beautiful, high-end pool tables. They are made in America with superior craftsmanship and have built a second-to-none reputation for quality. Client #1's business has existed for over 40 years and is family owned and operated.

Client #2 makes hardwood unfinished furniture. Just like client #1, family owned and operated in America for over 60 years. They make great products and have also built a great reputation.

Both clients are currently on the brink of bankruptcy with almost dark manufacturing facilities. Both have seen sales drop like a rock in the last 2 years, both are facing foreclosure, and possible asset seizure. So what is the difference? One is victim of not having the resources and capital needed to whether the downward cycle in the market. The other is a victim of the "New Normal".

Client #1 makes luxury pool tables. Sure the market for fancy items such as custom pool tables is down, way down...but people with money will always want a beautiful pool table in their home. They may not buy it right now, but that is a sign of the times, not the "New Normal".

Client #2 manufactures unfinished furniture. This market is dead, gone, and buried. Never to come back again. Overseas, finished furniture is cheaper than buying the unfinished stuff without all of the labor. This is a sign of the “New Normal”.

So what is the outcome for these two clients? Client #1 is forming a NEWCO with a strategic buyer and retaining a percentage of ownership. The buyer has enough capital to weather the storm and continue making those beautiful tables. In a few years when the market rebounds he will be sitting on a gem he picked up “on the cheap”. Business saved, current owner happy, bankers are happy, buyer is ecstatic.

Client #2 is headed down the path to liquidation. If Client #2 would have had the necessary perspective earlier, they could have sought help, re-deployed their assets, and kept their business alive. Client #1 had the good fortune to operate a more insulated business.

Don’t confuse the ups and downs of economic cycles with a material change in your market. The answers that you seek to run your business in this, or any other type of economy are out there....all you need is a greater perspective and a willingness to look at all options and opportunities available. This might mean positioning your company to survive the current economic cycle or determining the best exit strategy for your business and you due to the “New Normal” that may currently exist or may be quickly approaching.

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