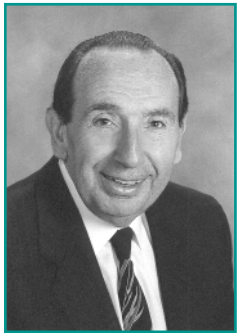


# PRESIDENT'S RESOURCE ORGANIZATION

100 E. Bellevue, Suite 4E  
Chicago, Illinois 60611  
(312) 337-3658  
www.propres.com



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## PRO's Prose

by  
Ray Silverstein,  
Founder and President

"I'm mad as hell...  
and I'm not going to  
take it any more!"

Remember that famous  
movie line? Unless  
you want to be part  
of the recession, I suggest some  
rebellion is in order.

Each of you should be "mad as hell!"  
You should create an action plan  
demonstrating that "you're not going  
to take it any more."

How are you planning to generate  
revenue? I'm sure you've already  
reduced overhead costs, perhaps even  
lifestyle expenses. But there are only so  
many expenses you can cut. In most  
business downturns, management  
takes a sharp knife to the fat. But how  
effective is that if you don't also take  
steps to boost sales activity?

That's why this newsletter is filled with  
ideas and strategies for taking  
advantage of tough times. Many of  
these concepts are actions PRO  
members already initiated. I urge you  
to think "outside the box"—this is the  
time for new techniques.

Don't be afraid to try new  
approaches. (How well are the old  
ones working, anyway?) Don't accept  
the status quo. Learn from your  
peers. Implement their suggestions. Get  
off the bus to tough times...and  
transfer to one that offers positive  
progress.

Ray

## A Baker's Dozen: 13 Strategies for Prospering in Tough Times

Have you decided not to play the recession's game? If so, take the offensive—and make some of these moves part of your game plan. Not all of them will work for you, but they can spur new ideas that will lead you to action.

### 1. Upgrade Your Personnel

Now's the time to enhance your Number One asset! People make a difference. Review your staff. Identify who actively contributes to your company's performance, creativity, and future direction. Don't be satisfied with the status quo; now is the time to raise the performance bar.

A few years ago, it was difficult to find talented candidates. You may have settled for hires with less-than-optimum skills. Ask yourself: *would you hire these people now, knowing their strengths and weaknesses? Do their strengths complement their job requirements?* If not, now is the ideal opportunity to look for people who can make a true difference.

### 2. Review Compensation and Benefit Programs

In most small companies (especially service businesses), employee compensation is the single largest expense. Review your compensation policies—are they tied to performance? If not, consider changing your compensation structure. Is it possible to lower base salaries, while increasing results-driven bonuses? And not just in sales, but throughout the organization?

Many small businesses do not measure performance, working by subjective standards rather than objective measurements. The problem? You cannot incent performance unless you can measure it. An employee won't know if she is doing a good job unless there is a standard.

Fringe benefits make up an important part of the compensation package. In general, fringe benefits equate to 30-45% of employee wages. Health insurance is increasing by 25-40% each year. Consider cost-saving plans such as Medical Savings Accounts (MSAs), cafeteria programs, and greater cost sharing with employees.

*continued...*

### 3. Maximize Vendor Concessions

When the economy is soft, it's a good time to negotiate with vendors. The terms are limited only by your imagination. For example:

- Renegotiate your rent. If your lease will expire in the next few years, consider a longer-term lease with concessions as a trade off. Negotiate an immediate rent reduction in exchange for a new, longer-term lease.
- Enter into long-term supply contracts with vendors. Lock in forward pricing and hedge future costs. Often, price and payment terms may be renegotiated. If you have cash and can pay promptly, you can enjoy price discounts, promotion allowances, restocking or obsolescence charges, catalog allowances, and other advantages.
- Not rich in cash? You can still renegotiate terms such as extended payment, consignment inventory, vendor housing of inventory, etc. Sell your vendors on the premise that by working with you, they'll do more business. Discuss promotional allowances, product placement positioning, catalog allowances, and co-op advertising. These strategies will help you sell more product/services—and use more of their product/services.

### 4. Upgrade and Enhance Processes

Improving processes should be an ongoing activity, but in soft markets, it is even more important to squeeze costs out of your system. Many companies have used TQM or variations thereof to achieve improvements. If you have not yet tried a formal approach, now's the time to investigate it.

### 5. Refine Your Sales Strategy

When business is soft, don't assume that the old way of working still works. Smart companies are constantly reinventing strategies to satisfy the demands of business, clients, market conditions, and the acceptance of their product/service.

Categorize your customers—not all of them are profitable. In all probability, you have reduced your staff...now, look at your customer base. Put your assets where you can make a profit or have strong future potential.

It may be necessary to "fire" accounts or raise prices to unprofitable customers who consume resources. Focus your sales team on selling your most profitable product/service. Use gross profit as a measure—or better yet GMROI, gross margin that considers inventory turns on products.

Focus sales activity on accounts that produce the greatest results. In addition, be mindful of additional products/services you can market to specific customers.

### 6. Increase Throughput

In a soft market, customers typically purchase in smaller quantities and contract for smaller projects. As a result, you must shorten lead times, set-up times, project preparation, etc. Look for ways to handle shorter runs and projects. Challenge old concepts. Leadership means breaking the status quo!

### 7. Create Strategic Alliances

Strategic alliances don't have to be sophisticated. You can reduce expenses with simple strategies such as buying pools, rent sharing, and equipment sharing. Make use of manufacturers' reps, brokers, and export agents to sell your products/services.

### 8. Target Customers of Troubled Competitors

Is a competitor in trouble? That company's customers make excellent prospects! Your competitor may not be able to provide the required service or quality, or adequately maintain the customer/vendor relationship. Identify which of your competitors may be struggling. Identify their key customers—and initiate an active sales campaign to win them over. Many customers resist change, until a distressing event occurs that prompts them to act. If your competitor's customers fear a supply disruption, that may be the catalyst you need to initiate a switch.

### 9. Acquire Competitors

A more aggressive strategy is to acquire the competition itself. This might mean the entire company, a division, product lines, equipment etc. *A note of caution: all acquisitions must fulfill one your strategic goals.*

In a soft economy, goals may include increasing market penetration and amortization of overhead, among other things. A soft economy may also create the opportunity of strategic acquisition that helps you meet those goals.

### 10. Enhance Brand and "Mind" Share

Now, many companies are cutting marketing activities to reduce expenses. Is this wise? No! Studies show that the companies maintaining or increasing marketing efforts during soft economies enjoy larger business increases once the economy firms.

If you have the vision and the cash, increased marketing is a smart move. The objective: increase “mind share,” so customers first think about you when it’s time to purchase your product or service. Marketing communication firms and publications are hungry for business now, too. This is a good time to undertake advertising or branding programs, negotiating the most for your marketing dollars—both short and long term.

### 11. Vertical Integration

This may be the time to make the investment of reducing costs through vertical integration. Equipment and processes may cost less now and yield better amortization of overhead.

A more aggressive strategy: acquire a troubled vendor. It can not only give you a competitive edge, but shorten the learning curve to self-sufficiency.

### 12. Review Cash Flow and P & L Activity

Cash is king, especially during tough times. Make sure your lines of credit are adequate. Don’t allow yourself to run short of working capital or you will spend all you time managing cash.

If your company does not have financial controls, get them in place. You may need them to survive...and you definitely will need them to grow. Cash flow projectives are especially important—you may need to manage by cash and not your profit and loss statement.

Here are key financial controls to implement:

- Cash flow projections and statements
- Monthly revenue projections
- Monthly expense projections with variances
- Capital equipment budgets
- Inventory acquisition budgets and variances

This is also the time to sell obsolete equipment and inventory. Cash is king!

### 13. Strengths and Weaknesses

Yes, this is definitely the time to seriously review your company’s strengths and weaknesses, if you haven’t already done so.

If you have any big weaknesses, remedy them now. In tough times, survivors hunker down and perform—because there is no flow of resources for fixing chronic problems. Don’t use Band-Aids; determine the root problem and fix it!

At the same time, recognize your strengths and act to build on them. Tough times require focus and maximum return on effort, investment, money, and manpower.

When the going gets tough, the tough get going. These strategies are designed to spur you into action. Get off the recession bus—and head for a brighter destination.

## PRO chatter...

The PRO family is growing! Congratulations to **Kati Spaniak** of Indico Bellum on the birth of her second daughter. **Lew Field** of H. Field & Sons, has a new addition, too: a new plant in Arlington Heights. More proud parents: **Ross Friedman** of Windward Builders consolidated his field office and corporate office into a spanking-new facility. Not to be outdone, **Jeff Adesko** of Thunder Press has purchased a web printing press for his new plant. **Sue Baylin** of Folio Press also has moved her company to larger facilities. **Linda Schaffer** has a new granddaughter! To make more time, she and husband Jerry successfully sold their company. On another note, PRO Ironman **Casey Swistun** of Swistun Inc. successfully completed triathlons in Utah and Canada (and ran the Chicago marathon as a jaunt). **Ray Silverstein** has completed the public speaker’s triathlon: he presented two programs for the Institute for Small Business Success and third for the Chicagoland Chamber of Commerce. *No wonder PRO members all take their vitamins!*

### Do You Know Someone Who Should Know PRO?

PRO wants to grow! We’re currently seeking open-minded entrepreneurs to fill the following positions:

- PRO members
- PRO franchise owners
- PRO facilitators

If you have a friend or business associate anywhere in the country who might benefit from PRO, Ray Silverstein would greatly appreciate your referral. Call Ray at 312-337-3658.

## PROfile



### EDDIE BUNZOL METRON ELECTRICAL REBUILDERS

Eddie Bunzol's business landscape has changed down to its very roots: from someone's front lawn...to the global playing fields of the automotive parts industry. A born entrepreneur, Bunzol got his start delivering newspapers with his dad. Before buying Metron Electrical Rebuilders in 1987, he was by turns a teacher, trainer, coach and franchise-owner.

"That was in the landscaping business," Bunzol explains. "But it got too competitive and over-regulated by local governments. That's why I decided to try something new."

Metron, headquartered in Addison, IL, manufactures alternators and starters for the automotive aftermarket, which includes auto part stores, warehouses and installers. So what did Bunzol know about auto parts when he bought the company?

"Nothing," he admits cheerfully. "But I do know how to run a business."

Unlike many people who build a new business based on their particular professional skills, Bunzol was looking for a business allowed him to exercise his business acumen, while meeting specific lifestyle criteria.

"A manufacturing business met my criteria for more regular work hours—no weekends and minimal erratic hours. I also knew that the business had to be large enough to provide the technical support to back me up while I ran it."

Running Metron has translated to going global as market changes and technology challenged traditional distribution channels.

"We still operate our facility in Addison and an outlet in Chicago, and at first it was a leap of faith to expand into the Upper Midwest—from Indianapolis to Grand Rapids. Then we got into exporting, and now 25% of our products are going to Europe. Next week, I'm attending a conference on working with the Chinese. China has become a big player in our industry."

A long-time member of PRO, Bunzol appreciates the diversity of its members.

"Working with other franchisees is not the same thing. They're not going to talk about their sources or markets. They're the competition. But at PRO, I can find a springboard for ideas in all areas of business. We ask hard questions and play the devil's advocate for each other. I pick up a lot of things from the group—I start thinking, 'maybe I'll try that.'"

Bunzol also sounds out fellow PRO members to avoid wasting his time: "I was recently shocked to learn my Worker's Comp. costs shot up 32%. While we were commiserating, it came out that other increases matched or bettered mine—34% or more. Well, that told me it would be a waste of time to shop it, so I put my time to better use."

## What Do YOU Value About Your PRO Group?

Here's what some PRO members had to say:

"I leave a PRO meeting feeling pumped and ready to run my business. It takes that feeling of burn-out, right out."

**Rustin Ross, Alan Ross Machinery Corporation**

"This is a setting where I don't feel competitive. Conversations go on. I get feedback from members fairly quickly, and I also feel accountable for meeting goals we have discussed before the next meeting."

**Ralph Samuel, MLP Seating**

"The variety of solutions to any given problem presented at a PRO meeting is fascinating. It gives you a wide view upon which to base decisions."

**Scott Fohrman, Milmour Products**

"We are all at different stages of growth, and we can discuss sensitive subjects impartially and with total confidentiality. I find it very stimulating."

**Robert Weeks, Weeks Publishing Company**

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Ray Silverstein .....President and Founder  
Fax: (312) 944-6815 • email: ray@propres.com