BY ROB WILBRINK

CHOOSE TO WIN or PREPARE TO LOSE

What is the correct way to respond to a market slowdown?

I attended an industry function recently where an acclaimed economist spoke eloquently about the tough times ahead and the need to avoid unnecessary risks, such as expanding your business. Sage advice, but taken out of context this could lead store owners to miss opportunities to win market share or, worse yet, watch as strong competitors steal market share away from them. I thought instantly of the story of the successful hot dog vendor who listened to the advice or his more educated son warning of a pending recession. Based on that advice, the vendor cut back on inventory and resigned himself to the inevitable drop in hot dog sales, creating, in effect, a self-fulfilling prophecy.

The fact is there is no better time to build market share than during a recession. The investment made during this time will pay for itself many times over when the economy recovers. This is akin to the savvy investor who buys when everyone else is selling. Ultimately, by taking a calculated risk, and having the necessary patience and not panicking, the investor makes by far the greatest return on his money.

I experienced this first-hand while at Lansing Buildall through the 1990's. Bill Kitchen, who founded the company in 1959, built his business on the philosophy that he would invest in advertising and expand while everyone else hid their head in the sand to avoid recession. This philosophy continued with son John in the early to mid-90's, who continued to invest in the Lansing stores and refused to cut advertising while 37 competing lumberyards in the Toronto market closed their doors. As a result, in the late 90's, Lansing was extremely well positioned to take full advantage of the then-strong economy. Despite an onslaught of over 25 box stores into the same market, Lansing continued to grow and prosper every year.

It stands to reason that when times are tough, construction is cheapest. In addition, those wanting to sell their business are more likely to accept a lower price, and advertising dollars spent against lower advertising from competitors will have the greatest impact. The cost of advertising will also be lower as media companies compete for a smaller pool of dollars. The short-term impact may not be in absolute dollar sales but almost certainly in market share. Competitors who survive the recession will spend far more trying to recapture lost market share as the market strengthens than they saved by not spending during tougher times.

So, as with many things in life, the strong get stronger and the rich get richer often because they take advantage of the opportunities that down markets present. On the other hand, if you focus only on being prepared to lose, you will lose. If you have the money, however, invest for the greatest return when times are tough. In fact, the real message to take from the economist should be, "don't take risks you can't afford," especially at this point in the business cycle. But if you can choose to win.

ROB WILBRINK
President, Burlington Merchandising & Fixtures Inc.