Tough times call for continued talk

By Bridget Behe

Plan for the worst and hope for the best. This phrase is probably no more true than for this spring. With the tough economy, consumers are cutting back. Many companies are right-sizing, the more correct term to reflect the down-sizing that everyone from the U.S. Postal Service to restaurants are experiencing. As smart business people, we should plan for the worst. But as connected as we are to our agricultural roots, we also need a healthy dose of optimism to hope for the best this spring.

Consider where to make cuts

As I finish teaching the financial portion of my horticultural management course, the students go through an exercise similar to what most businesses are going through right now. What would they cut if they had to reduce business expenses by 5-10 percent?

I ask this question because it is relatively predictable what the students will cut first. They won’t reduce wages. They’re poor college students so they can’t comprehend anyone reducing wages for any reason.

They probably won’t reduce the cost of goods sold. They don’t have much experience in trying to negotiate terms or working with groups to buy collaboratively, or have the vendor relationships to know what they can or can’t negotiate.

Predictably, the students cut expenses first. Advertising is typically the first thing to go. This is also the first or second step real businesses take when they face a budget shortfall of 5 percent or more. Advertising doesn’t seem to be as necessary as other expenses such as accounting or office help.

This is the worst time to cut advertising or eliminate other marketing expenses. Sure, they should be reduced in line with other expenses, but not removed entirely.

Don’t cut your marketing

Tough times call for continued talk. Think about your business and personal relationships. Communication is essential, but often challenging, when you’re going through difficult times.

A tough business cycle is the wrong time to disproportionately reduce marketing or advertising because if you stop talking or communicating now, you will probably exaggerate the downturn in the business cycle.

Now is the time to continue communicating with customers, employees, vendors and investors. Now is the time for frank talk and intent listening and watching. Without monitoring the pulse of consumers, you won’t be able to see early signs of any trend, either positive or negative.

Communication implies a two-way street. Talking and listening are both parts of communication. You should continue to monitor key financial indicators, and if you aren’t already doing this, now would be the best time to start.

Collect customer information

You should take a daily or weekly customer count. Daily is preferable because sales vary by day of the week. Also collect daily sales -- it’s easy and now even more essential to monitor average sales per customer. If you have sales data from previous years, share average sales per customer with employees so they are aware of a target to strive for. Again, if you plan for the...
worst and hope for the best, the reality may lie somewhere in between.

**Tracking zip codes**
It is also essential to capture zip codes from customers. You can obtain a great deal of free information about your customers if you know their zip codes. If this information is available from last year, share it as well. More than likely a large percentage of your customers are coming from two or three zip codes. Have there been profound economic changes for folks who live in those zip codes (key business closings, eliminating jobs and drastically changing employment for those households)? If so, you might be looking to proximate zip codes as a source of potential customers.

If you haven’t been collecting zip code data, now is good time to start. Whether you use a tally sheet at the cash registers or program the checkout register keys (with a customer loyalty program), now is the time to determine the geographic area from which you draw your customers.

**Customer communications**
The message you are saying is just as important as listening and watching. It is important to monitor the return on investment you generate from advertising expenditures. While traditional advertising is declining in effectiveness, I’m not totally convinced to line out this expense.

If you don’t remind customers to beautify their homes, especially when they are spending more time around them, they might turn to other home improvement projects. If you don’t remind consumers that investing in landscaping improves the perceived value of their homes, they won’t put the money into plants when they try to sell their homes.

If you don’t remind consumers that plants clean the environment, reduce the buildup of carbon dioxide, provide shade, produce fresh and nutritious food, contribute to a healthy lifestyle and make them smile more, who will? There are so many benefits to plants that if we don’t remind consumers of them, they may see us as an unnecessary expense.

Tell consumers about the choices you are making as a business owner. Tell them you employ legal local residents and your company contributes to the local economy. Tell them about the environmental choices you are making. Talk about your business choices to reduce the use of natural resources (water, oil and natural gas) and show them you are a “green” business. Talk about the
Marketing

environmental benefits of planting ornamental and edible crops. If mass merchants can publicize their environmental choices, you should be talking about yours as well.

Multiple-unit pricing
Send a strong message about price this spring. Consider multiple-unit pricing as a key part of your strategy. If consumers are cutting back, they’re probably considering cutting back on buying our products as well.

We hope they won’t completely stop purchasing our products, but even a reduction will impact profits (another reason to be watching average sale per customer). Multiple-unit pricing stimulates the purchase of multiple products. Advertising four for $5 will probably sell more units than 99 cents each and will garner a higher price point and (hopefully) a higher profit margin. Don’t try to move more than four units at a price point, especially if customers are cutting back.

Pricing two, three or four units at one point should provide a greater sales volume than individual-unit pricing. Price key products that you have a lot of to help move them. New product introductions and those with limited inventory move better with individual unit pricing. Multiple-unit pricing also communicates a real value or deal when buying more than one. In tough economic times, we’re all looking for a better value.

Tell “your” story
Now is not the time to eliminate or severely reduce advertising and other formal communications with customers. Now is the time to keep those who are paying your company dividends in sales. If you’re not sure, monitor how your advertising investments are doing this year. If you can’t measure the results of your advertising, you won’t know whether it is working for you.

Focus your communication efforts on how you’re providing value and what you’re doing to be more “green.” Tough times call for right-sizing budgets, but all deserve close scrutiny. Don’t stop talking or listening, but do re-examine the message and the returns. Plan for the worst, hope for the best, and be in a better position next year. 

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