

Surviving The Recession

A few ideas and tips to help get creative companies through the worst of it!

Goldbrick House, November 2008.

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Recession is coming. It's official and it doesn't take a rocket scientist to realise it's probably going to get a damn sight harder before it gets any easier for companies of all shapes and sizes over the next 6-12 months.

So, it was for this sole reason that some of the city's leading creative CEO's and Managing Directors got together on a chilly November night to discuss what we can all do to help each other get through it and come out the other side in the best shape possible.

Attendees:

- Rob Stapledon (Chair), Senior Corporate Manager (Media), Coutts Bank
- Fraser Bradshaw, MD, McCann Eriksson – Bristol
- Chris Jones, Director, Oakwood Media Group
- Paul Hassan, Senior Manager, S-Cool
- Ben Heald, CEO, Sift
- Stuart Avery, MD, E3
- Mark Mason, MD, Mason Zimble and Strange and Dawson
- Matt Connolly, Co Founder, Enable Interactive
- Nick Marsh, Consultant, Business Link
- Sam Hearn, MD, Omni Productions
- Steven Coombe, Partner Smith & Williamson
- Kevin Broadly, MD, Beef
- Irfon Watkins, CEO, Coull
- Danny Meaney, MD, NMP
- Mike Bennett, CEO, Bristol Media.

Although every newspaper and news report on TV tells us financial Armageddon is here and we're virtually all doomed, the general consensus around the table was that actually "we were all doing okay" and things hadn't really taken a turn for the worst just quite yet. However, the group unanimously agreed that the warning signs were there and we'd have to be fairly silly not to believe we were all walking into fairly uncharted territory:

“Clients are taking longer to make decisions and sign projects off.”

“Clients are certainly starting to push back on costs and looking to get more for their money.”

“Big name brands are cutting budgets and they’ll certainly have less to spend moving forward.”

All around the table had experienced at least one of the above quotes from clients over recent weeks. However it was also acknowledged that this climate also created specific opportunities for Bristol agencies. Some around the table (who had come through the tech recession of 2000-1) stated that smaller, nimble regional agencies could capitalise on the downturn and could actually grow when bigger agencies are cutting back.

“When times get hard, clients cut back on spending money with global/network agencies and look to spend their money more tactfully. This means as a smaller local agency we are in a position to get more work from them which is great.”

And it isn’t just ad and marketing agencies that are experiencing this transition. The publishing contingent present were also witnessing this trend, explaining that a number of their recent wins have come from big names who historically would not have considered them.

“Clients are gradually realising that their money is better spent with the smaller guys, who are often cheaper, keener to win the work and prepared to go the extra mile to exceed expectations.”

This discussion led onto what opportunities existed in the digital space. It was generally acknowledged that clients were “shifting traditional marketing budgets towards digital” and this would certainly continue for the foreseeable future.

“Digital spend is likely to grow over 2009/10”

“Digital is instant, easily and quickly measurable, and it’s cheaper to run a campaign online. INSTANT, MEASURABLE and CHEAPER are going to be three fairly attractive words for clients in the next 12 months.”

“SEM and SEO will see substantial growth, but it will be a very competitive space with margins for many agencies being dramatically cut.”

However all were keen to know if, in reality, clients will continue to invest creatively and innovatively online, or just spend money on ‘cheap and dirty’ stuff like SEO?

One diner commented on the recent figures from the EIAA (European Interactive Advertising Association) that stated that the amount of time consumers spend online has increased by 36 per cent over the past four years. Surely this figure alone makes it obvious why brands need to take a long hard look at their digital output. The group agreed and noted that in terms of them winning business, it is all about the desire to innovate. Clients are realising that this is the time to seriously embrace digital media so it’s

a case of showing off how innovative you can be. This is probably more important now than ever before.

“At a time like this when clients are rethinking where and how they spend their money, they are much more open to innovation.”

It was agreed that there are many ways to be innovative. Of course you can offer groundbreaking technology but also look closer to home to identify how you can be innovative; client services and account management for example.

Look after the clients you have already

“Never underestimate the power and value of offering first class, top-notch client service.”

One diner presented the group with an idea that summed up how they're all feeling, “The one thing you need during a recession is good client relationships.”

“If they are prepared to ‘crap on you’ overnight and ‘drop you like a stone when things get tough’, chances are it's not a good relationship in the first place.”

He went on to explain exactly how his company is ensuring their relationships with clients are solid:

“Make sure what you're delivering is a quality product and remember that you need to stay relevant and not just offer a solution for the sake of it.”

Many of the attendees agreed that over the last few months they had been refining their businesses and studying where their core business was coming from. Many agreed that they did this on a regular basis anyway but focussing on how to accurately revenue plan was critical.

“It's cheaper getting more business out of existing clients than going out to try and win lots of new business.”

“There's no question that the cheapest prospect is to work with your existing clients,” said one diner. “You have to show them that you really know your business, you love them and you know what you're doing. This will make getting more work out of them much easier than it would be if you're chasing a new client.”

“Specifically we are working hard to convert two year contracts into three, or a £40k project into a £100k account and so on.”

Pitching and New Business

Another question that caused much debate was whether creative companies can afford to turn down work in the current market? The group agreed it was often tempting to say yes to everything on offer, but that it was wiser to ensure you're working with brands you respect and value.

“When it comes to clients, you have to pick and choose – don’t just go for everything – there is of course a place for the odd punt but spend your time, money and energy working with the brands you want and where you have something relevant and appropriate to say.”

Several of the diners present reiterated the fact that they were being more ‘discerning’ when it came to pitching and trying to win new business.

“It’s taking the piss when clients are asking 10 agencies to pitch for one job. It demonstrates that they really don’t know what they’re looking for and usually when undertaking a beauty parade like this the clients will be looking for the cheapest option and more than happy to play one agency off against the other. Is that the sort of account you want for your business?”

“We’ve turned down work because it just didn’t add up. The client was asking for 40 per cent more than they were willing to pay for, because they thought they could push us. I’m all for discounting work on occasions but not to cripple us in the process. Work like this just becomes a cash flow job. In my experience cash flow jobs are a pain, usually end up costing you much more than 40 per cent in the long run. We’ve learnt it’s easier to turn these opportunities down.”

One diner explained that, on average, a new business pitch costs them an average of £16,000 to generate a round £200,000 of new business.

Focus!

This comment was quickly followed by another on the same subject, “You have to learn to say no quickly. We have really focused in on what we do as a business, and are remembering that the rest is distraction and white noise. It means that all that stuff you would normally explore (even though you know it’s probably crap) gets shelved and you refocus on the things you’re really good at and stuff that’s vital to nail.”

So once again, the group discussed how important it is to ensure your business is focused and knows exactly where its strengths lie in times of financial hardship.

Plan A, B and C...

The group also championed the adage of ‘knowing your own company’ when it came to cash, profit, trading, employment and the issues surrounding redundancies. There was a strong feeling in the room, that while making people redundant is not nice, it’s often necessary to ensure survival. One diner made a key point, that the others all agreed was sound advice, “In the current climate, if directors are not looking at their costs, overheads and reshaping their staffing accordingly then they are stupid and I’m afraid don’t deserve to be in business”

“You can’t be a successful manager if you can’t get past the fear of firing people”

They went on to agree that while it's tough, often making the move to cut back can help you come into your own as a manager, "People often worry about it, thinking that the whole company will hate them for firing someone, but when you actually step up to the plate and do it, people respect you for doing all you can to safeguard other jobs. Doing this also means the company can refocus and really drill down to the bones of the business and to start to build it back up again when things pick up."

Drilling down to the bones also means looking after your finances. Our diners were unanimous in saying that recession means realism and directors have to sit down and really work out the figures, what's coming in, what's going out and what it costs you to turn the lights on.

"Make sure you have a financial director/coordinator who is fully switched on → creative companies often let the financial side lapse as they are too busy being creative"

Another error many businesses make during a recession is that they forget to chase the cash:

"When you're crunching the numbers, cash is king, so remember – it's not demeaning to pick up the phone and chase that big cheque – at the end of day you doing it as the MD will have more gravitas than your accounts person, so do it if you need to."

"Look at the little overheads; while it's easier to assume the only way to beat down your overheads is to make people redundant (and that might be the only way in many circumstances) look at the little things too – cap personal mobile phone usage at £20 a month, encourage your teams to car share to meetings instead of all going on the train etc. It all comes back to the small things having big effects."

The final area discussed was on the matter of investments. Many companies sat round the table had previous plans to grow and expand their businesses over the next two/ three years but does a recession mean investing in growth in this climate is a crazy strategy? And if not, what sources of funding can companies access in the current climate?

If your business is in a strong position there's no reason why you still can't seek investment but the financial experts in the room agreed that it was going to continue to be a challenge securing the finance.

"Getting money out of banks is still hard. In spite of reports and government commitments many high street banks are still not lending and those who are have increased arrangement fees and their interest rates for borrowing."

Venture Capitalist investment is a route, but here too investors are capitalising on the fact that there are very few sources of investment for companies so their terms are likely to be tougher and more bullish and they will be looking for a higher return over a shorter time.

Asking for money will require you to present a solid and attractive plan to anyone who is going to consider your request. This is more important than ever.

“Go to someone who is comfortable with your industry, this makes it easier all round and make sure you do an investment pitch not a sales pitch.”

“You will need a great business plan, but make sure you get straight to the point. Business plans are bedtime reading for bankers so really make sure it's easy to read and it flows. Tell them: who you are, where you're at, what you want and how you'll spend it.”

If you go down the VC route make sure you're also clear on what you're happy to give up (equity wise) and what you're offering the VC. Finally, when writing the pitch make sure you write it yourself, don't get someone else to do it for you. No one knows the business better than you!

As proceedings came to a close, it was agreed that the evening's debate had provided some invaluable tips and advice on how we can all weather the economic storm. Yes, life is about to get tough, but with some careful planning and meticulous management you and your business should be able to survive this recession, and who knows, you may even be stronger for it.

It was also agreed that MD's should talk more to each other and that we'd look at other opportunities to meet regularly and share ideas and thoughts on running creative businesses in Bristol.

Top twelve tips for every creative business to maximise their chances of surviving this recession.

- 1. Talk to your bank manager** – as long as people keep talking about what's going on, it makes it much easier for both parties to see what is happening and prevent problems further down the line. Even if it's a fortnightly/monthly chat – keep them in the loop.
- 2. Cash is king** – managing cash flow is vitally important, especially in a downturn. Make sure you chase and don't be afraid to pick up the phone yourself to get those invoices paid.
- 3. Look after your current clients** – work out what you can do for them that gives them a better return and extra value for money. In a recession, making sure your customers are happy means you can retain them in the future and remember that right now, current business is cheaper than chasing new business.
- 4. Be a leader** – keep the business informed, chat to staff, managers and make sure even the cleaners know the score. Staff will pick up if something is wrong. Being open with staff in difficult times often pays dividends when it comes to loyalty and commitment. If you have to eventually make tough decisions around redundancies plan it properly and do it as 'considerately' as you can.
- 5. Cut once and cut deep** – redundancies are tough but if you make the call early on you'll be glad you did so later down the line. Also avoid an ongoing programme of redundancies, lose five people now, rather than one every month for the next five months. This, although it sounds harsh, will be better for stability and ongoing staff morale.
- 6. Share and be open** – talk to competitors and share ideas. The more you do the

more you'll get back. Support each other and devise ways you can meet to discuss challenges and experiences. Mistakes can be fatal in a downturn and these can be avoided by talking to your peers, contemporaries and fellow directors in the same sector. Being secret and overly protective might benefit you in the short term but evidence suggests that companies who get their heads together when times are hard re-emerge stronger and quicker when things pick up.

7. Plan now and know where you are going – when times are good you plan for growth and success and the same is certainly true when entering a recession. Get your management team in a room and plan for a series of different scenarios. It's better to do this now, unemotionally and when you have a level head rather than when your backs are against the wall with very few options. Devise plans around a 20 per cent, 30 per cent and even a 40 per cent drop in turnover and understand what the business will look like in all these different scenarios.

8. Get to the answers as fast as possible – in a recession 'the maybes' and the 'putting things off' can prove disastrous. Small problems without the right attention have a habit of growing into big ones. So get to the answers swiftly and efficiently. This also applies when trying to get answers out of clients too.

9. Take things one day at a time – know what your key actions are, and break daily tasks into small manageable chunks that can be achieved and prioritise your actions.

10. Stay positive – you may need to keep an eye on the news, but avoid long hours spent listening to experts pontificate and predict doom and gloom. If you're depressed and down, your business and your employees will be too. Take good care of yourself mentally and physically and you will be much better able to respond to financial difficulties in a positive manner.

11. Be selective – don't assume that all work is the right work. Pick and choose the contracts/projects you take on and pitch for projects you can win. Although at times new business can be a numbers game, it doesn't hurt to be selective and discerning – those who are tend to convert more. And never be 'in it' just to make up the numbers.

12. Examine your finances carefully – try to reduce fixed costs and cut back on the 'small' overheads such as mobile phones and travel costs. Consider retraining your staff to fulfil different roles as it's often cheaper and more efficient than hiring new ones. Taking on contract staff and freelancers is also considered a sound move when the future looks uncertain.

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