How To Bite Back At The 'Recession'
By Dan Kennedy

For those who don't know, Dan Kennedy is a multi-millionaire serial entrepreneur; author of 11 bestselling business books, a popular speaker who has often appeared on programs with a wide variety of legendary entrepreneurs including Donald Trump, Jim McCann (1-800-Flowers), Debbi Fields (Mrs. Fields Cookies) and even Gene Simmons (KISS) as well as leading business speakers Zig Ziglar, Brian Tracy and Tom Hopkins; and, through his newsletters and networks of consultants and coaches, directly influences over 1-million business owners a year.

Jim: Let's start right out with the so-called elephant in the room, the economy, and the dreaded 'R' word. Economists have been arguing over technicalities. The news media has had us deep in a recession for months. People do seem affected by gas and grocery prices. What's your take on it all?

DAN: First, you always have to temper what people say with objective reality. For example, if you listened to all the weeping and wailing about gas prices, you'd presume everybody had their cars up on blocks, huddled in their homes as if in caves. But the recent Memorial Day weekend had only a 1% reduction in people driving 50 miles or farther from home according to AAA. There is no doubt that there *are* segments of the population severely affected….others slightly affected….some unaffected by this very specific inflation of gas and groceries. In big-ticket spending, the inevitable hitting of the wall with using appreciating home equity as an ATM has whacked big, dumb, slow to adapt companies like Home Depot and Lowes. Cities and businesses dependent on summer vacation dollars may be hurt this year. However, it's also important to look at all this in full context. For example, as recently as May, we were in the 4th straight week with declines in jobless claims – *less* people each week filing for unemployment. In early June, a number of retailers' quarterly sales and profit reports beat Wall Street expectations. The stock market still reflects a fairly optimistic analysis of the overall economy. Real estate is not, as media reports, in an across the board collapse. In the Cleveland area, where I have one of my homes, foreclosure numbers are roughly 25% to 30% higher than normal, putting the area in the top 5 markets in the U.S. for foreclosure problems, but luxury home sales are healthy, and even more telling, commercial real estate transactions were up in 2007 vs. 2006 and are apace to grow again in 2008, and there's more new investment in significant development in and around the city than anytime in the past 7 years. In short, saying "recession" is a big, fat, over-broad, over-simplified generalization. There are plenty of consumers, plenty of investors and plenty of business owners spending plenty of money – and that's one of the things I want to talk about, related to one of my new books. Further, there's no profit in buying into this concept of a giant black cloud of doom descending over the *entire* land – and every business owner must constantly be asking himself 'where's the PROFIT in *that* ?' – with regard to his own thinking, his own analysis and his own actions.

Jim: Before we get to the practical cures, if you will, let's talk a little more about this thought process. How should businesspeople manage their own thinking about the economy?

DAN: This is a presidential election year, during which well over a half-billion dollars has been spent, and between candidates, parties, and independent groups called 527-c's – for which I write some ad and direct-mail copy – another billion dollars will be spent, most of it aimed at convincing voters that we are in crisis here, there and everywhere. One side cries "crisis and change." The other side threatens "crisis requires steady, experienced hand." Either way, everybody's selling crisis. There's also a 'media mental illness', a very unbalanced emphasis, excessively reporting bad news, nearly ignoring good news. On CNN, which I call the Communist News Network, you get good economic news only in the little type crawl across the bottom of the screen. You actually have to go to Fox Financial News or CNBC or the Wall Street Journal to get a fully balanced presentation and, of course, most people don't. So the gloom 'n doom sales machine is cranked up on high. To quote one of the success authorities I studied very early, Earl Nightingale, "we become what we think about most." So if you DON'T actually MANAGE your thinking about this….if you let yourself accept the mainstream media's and politicians' selling of crisis, if you think about it, regurgitate it in conversation with others, hang out with others regurgitating it to you….you'll undoubtedly find yourself upside down in it, shit up to your ankles! It's up to you to seek out better, more complete information.

But beyond that, here's how true entrepreneurs think about this: it is a set of circumstances, of changes in the marketplace, to have foreseen and prepared for, now to respond to, in which there is enormous opportunity - and REDUCED competition pursuing that opportunity diminished by fear, indecision, emotional paralysis, resentment toward the need to adapt, and in many cases, lack of agility. This is a good time to be grabbing market share, marketing aggressively. There is always a 'set of circumstances' and there are always winners and losers. A lot of business owners do well only in a generous economy. But a lot of other business owners get their traction, outpace their competition, and create their greatest wealth during economic times widely regarded by others as "poor." To complain about there being circumstances or changing circumstances is to complain about there being weather. There is no denying that gas at $4 a gallon – that could go to $6 – has a big, negative impact on peoples' behavior and attitudes, on transportation costs, etc. But I came up in business in the Jimmy Carter economy, with double-digit inflation, gas lines and gas rationing, double-digit unemployment, double-digit interest rates, and I found ways to make money, and found people to do business with who had money to spend. Further, the bigger picture is, this is what I call a time of transition to a New Economy that's going to last, and that you need to adjust to.

As an investor, I don't worry a lot over a company's dip in stock price at a time like this, because that reflects the mass public's foolish acceptance of recession as a universal reality, as a completely dark time. I look for companies where insiders are buying up more stock at bargain prices *and* the company is expanding, growing, and launching new initiatives. In a recession, everything goes on sale. Stock in very good companies. Real estate in very good areas. "Eyeballs" for advertisers and marketers – less people sending out direct-mail means less clutter in my customers' mailboxes means more space and better opportunity to gain their attention and interest for me. Less pages of advertising in the magazines or newspapers my customers read, lower rate negotiated and more attention for me. When others cower, you want to be bold, aggressive, *and opportunistic.*

Jim: Okay, let's talk about being opportunistic. What are the big opportunities you are emphasizing for business owners right now?

DAN: There are two big topics I'm spending a lot of time talking about with my clients, coaching members, and readers right now, reflected in my two brand new books: NO B.S. GUIDE TO RUTHLESS MANAGEMENT OF PEOPLE AND PROFITS and NO B.S. GUIDE TO MARKETING TO THE AFFLUENT. One topic is using this sea-change from generous, indulgent economy to grumpy, demanding one as motivation and mandate to re-assess your business inside out, and get smarter and tougher and more diligent about managing for maximum profit. In fact, one of the chapters in my Management book is titled 'How to Profit From The Age

Of Mass Incompetence And Coming Monster Recession'. As you can see, this is a very timely new book. Second, is the grand and glorious, newly developing opportunity to re-direct a business to attracting, serving and securing more affluent customers– the subject of my new MARKETING TO THE AFFLUENT book. So, the hot words are: re-assess, re-tool and re-direct.

Jim: Sounds like a lot of unpleasant work – who wants to do all that re-assessing and re-tooling and re-directing?

DAN: Hardly anybody!!! - Which is why there's such abundant, exciting opportunity for the few who do? As I said, I started in business myself during a real recession – that makes where we are now look like a light summer breeze in comparison to Katrina. Thanks to Jimmy Carter, we had the reality of double-digit base interest rates, unemployment rates and inflation….all more than double the current numbers, high gas prices and gas rationing, a credit crunch…and a widespread emotional malaise as well. It wasn't pretty. For most. But I prospered. And I got to work with quite a few agile entrepreneurs who did. I have absolute understanding that the best time to speed up and gain position is when others are riding the brakes. Most people hope to get their business arranged a certain way and then never have to tinker with it again. But success in business doesn't work that way. I'd love for that to happen with my houses too. One of our homes is just 6 or 7 years old. Re-paint the deck; next replace the deck. Carla wants to put a new floor in the kitchen. Paint this. Change that. *Why, oh why, oh why, can't it all just be left alone?* Well, even if you want to, you can't. Style changes, tastes change, furnishings wear out, water tanks wear out, garage doors wear out.

Look, in business, the surest path to disappointments in income and wealth short-term and long-term is resentment or procrastination over the need for constant change. You have to see the need for change as exciting opportunity, not as burden. You have to be mentally agile. With full disclosure, some of the companies I invest in now: Disney, Landrys Restaurants, Amazon, 1-800-Flowers…all of which have been good to me and I expect them to be even better in the future….have creative, agile, innovative, opportunistic leadership and corporate culture. Nothing stays the same. If you are striving for same you'll be slaughtered.
Especially now, but really at any time.

Jim: Then let's move on to: change. And let's start with the second topic you raised, marketing to the affluent. Why should business owners be eager to learn about and do this?

DAN: Without delving into the kind of statistical and in-depth detail that I've assembled and presented in the book, let me paint a broad strokes answer. Domestically, here in the U.S., all the real spending growth is toward the top. The middle class is shrinking, with 1/3rd moving down but 2/3rds moving up. That 2/3rds is literally a new class of 'middle-class millionaires.' These mass-affluents' buying behavior has also served to motivate more status spending by the affluent. Across the three groups – mass-affluent, affluent, ultra-affluent – there has *never* been more discretionary income and more spending on a broader and more diverse range of premium, premium-priced goods and services including newly invented categories. Further, there is convergence and overlap with the biggest part of the boomer population hitting their peak discretionary and non-necessity spending years, spurred on by very different attitudes about both retirement and spending than the previous generation. Anyone who has the sense that money is tight, consumer spending restricted, prosperity not rampant is simply paying attention to the wrong information. Essentially, there's a gigantic growth industry, an unprecedented boom underway, getting rich by selling to the rich, near-rich, soon-to-be-rich. Many business owners' knee-jerk reaction to this is either to deny it because it is not their personal experience or to feel it is not what their business is about or that these exceptionally valuable buyers or investors are somehow beyond their reach. Well, ignorance is forgivable and fixable, but as comedian Ron White says: you can't fix *stupid.* If that sounds harsh, it's supposed to. Earlier I said that THE question is always: where's the profit in that? There's never profit in making the lists of why we *can't* do something, why we *can't* capitalize on emerging opportunities. Making such lists is low-grade, low-pay work. *Any idiot can do it*. If you want high pay – especially at times when a lot of business owners are taking pay cuts – you have to do more high pay work. And certainly, finding ways to follow the money, to appeal to and attract more affluent, willing to spend people is such work. Making excuses, sucking your thumb is not.

So, the basic facts: 22% of the U.S. households own 55% of the earned income. The spending power is concentrated with 1 out of 5. You have three basic choices: one, promote yourself to anybody and everybody, taking whatever you get….statistically insuring you'll get more of the 4 out of 5's than the 1 out of 5's and risking getting none of the 1 out of 5's.. Two, you can – out of ignorance, denial, fear, low self-esteem, sloth – actually focus on the 4 out of 5's. Or three, re-tooling any and every aspect of your business you must, in order to target market to, appeal to, attract, not just satisfy but thrill, and grow with more affluent customers….for whom price is a non-factor…and who are least and last affected by recession. My two new books, combined, in concert, can help you successfully act on the third option.

Under normal conditions, only 10% of consumers *always* buy by price, their decisions governed by price – because they have no option. This group is largely made up of "working poor", low wage working people with more mouths to feed than they can afford food for. Nothing wrong with them as people. A lot to admire – except the choices they make that keep them poor. But no good reason to have them or, worse, seek them out as customers. Yet, strangely, most business owners focus 90% of their energy on price even while only 10% of the customers decide based on price. In recession, this percentage may jump as much as 3X, to 30%. However, there are 20% who make most buying decisions with little weight given to price or cheapest price and 5% who *never* consider price. In the middle, people who consider price in context and only buy by price in absence of other persuasive information. That top 5% is admittedly considerably more difficult to get to and satisfy, but infinitely and disproportionately more valuable. The 20% is a little more difficult to get but also considerably more valuable. So, picking up rocks from your driveway is easy and cheap to do but rocks have value only in giant bulk. Mining diamonds actually uses the same skills as picking up rocks applied differently, with admittedly the difficulties of traveling beyond your driveway, investing in mining equipment, etc., but each little diamond you find is worth more than ten tons of rocks. What's important to face up to is that you choose the business you're in. Rocks. Diamonds. Up to you. If you feel you're working too hard to make a living, have no leverage, aren't gaining and may even, now, be losing ground, I'll safely wager you're in the rocks business. Ultimately, all suffering and all prosperity, self-inflicted.

if there is a protracted recession, across a wide swath, or in segments; either way, I'll prefer investing as much of my resources as possible in selling to those least and last affected by recession. And a number of business owners are already, quickly finding themselves in deep and worsening financial trouble by not being agile about this, by continuing to waste *their* resources selling to people with dwindling resources, easily and quickly affected by a rise in the price of gas and Starbucks, and easily and quickly scared silly. There's no better time, and it is arguably an *urgent* time to move to where the money is in the hands of confident spenders.

Jim: Seems hard to argue with all that. You make a convincing case. But people are still thinking: sounds great, but deliberately marketing to the affluent must be different and difficult. So, just how different is it, marketing to the affluent?

DAN: It IS different. First of all, there are profound – and in most ways, beneficial – psychological differences. These people *think differently*. That's why they are affluent. So you have to be in sync, you have to connect with the way they think, with what appeals to them emotionally. You also have to acknowledge different hurdles; they are more thoughtful, critical, and in some ways, skeptical buyers, more demanding customers. Fair, because they are a lot more valuable. So you have to be customer focused not product focused to an even greater degree. I devote about half the book, about 200 of its 400+ pages to just who are these people? - where did they come from? - How do they buy, why do they buy? - Even specific behaviors in different buying categories – such as health, investments, for grandkids, for pets, even B2B. Second, there are process differences. While direct marketing fundamentals, systems and system structures don't change, application does. In the book I diagram and describe a complete marketing system as a template, from lead generation through to the sale and post-sale relationship. Third, is the issue of finding them, knowing where they are, so you can directly and efficiently reach out to them. The information about that in the book affects both offline and online marketing and media choices. This is a way to take all of your most effective tools and techniques and apply them more profitably, something akin to taking superior farming practices and genetically improved seeds and applying them to more fertile ground. Why wouldn't you want to do that? Now, not later or someday?

I think my MARKETING TO THE AFFLUENT book is URGENT reading for most business owners. There is a fundamental path to progress, all progress, that looks like this: Step 1 – Awareness, Step 2 – Decision, Step 3 – Resources, Step 4 – Action. In the MARKETING TO THE AFFLUENT book, I provide a whole new Awareness of the mass-affluent, middle class millionaires, affluent and ultra-affluent populations, their psyches, their buying criteria and behavior, who they are, what they buy, why they buy, how they buy – plus an even broader awareness of why and how money moves from person to person and place to place. Step 2 – I guide you in making informed decisions about how you can best connect your business to the best segment of this affluent market for you. And I get you convinced, confident and motivated to do so. Step 3 – I hand you the resources. For example, specific instructions for finding and directly reaching out to the best affluent customers (clients/patients) for you, in your area. For example, a detailed, diagrammed, step-by-step 'affluent entrapment system' for your marketing. Step 4 is then up to you. This can quickly change your fortunes. It can rescue you from and immunize you to recession. It can convert an ordinary business providing ordinary income to an extraordinary business providing exceptional income, spinning off extraordinary wealth. Within this context, incidentally, are very specific 'price strategies' that have led to huge income breakthroughs. It's all illustrated with real-life examples. And the book comes with an audio CD inside featuring highlights from my Price/Profit/Power Seminar, which cost $995.00 to attend, and was recently attended by more than 600 people. But to zero in: your key to changing your income for the better, even at a time when peers' and competitors' incomes are changing for the worse, is: changing the "who" you are deliberately attracting to do business with.

Jim: Okay, way back when, in this discussion, you said you were working with your clients on two big areas – this one, attracting more affluent customers, but also a second, managing for profit. And in that book title, you use the word 'ruthless', which has to rattle some people right off the bat. So, what's that all about?

DAN: It connects two ways. First, affluent consumers and investors are less tolerant of unsatisfactory, even unimpressive sales and service practices. Second, the recently generous, forgiving economy tolerant, even indulgent of sloppy sales and service practices has turned grumpy, irritable, intolerant and *punishing*. Maybe as it should. And very frankly, a lot of business owners have been making their way across the lake everyday satisfactorily in very leaky boats. Those days are over. There are going to be a lot of fatalities, large and small, of poorly run businesses. There's also going to be a golden-age for those businesses that provide start-to-finish and continuing exceptional experiences. As to the word 'ruthless', that's to telegraph that this is NOT a warm 'n fuzzy book with happy stories about such customer experiences, the equal of a smiley-face sticker. The shelves are full of those books. Fun to read. Maybe inspiring. But now what? Ruthless management is mandated by ruthless times. This is about setting and enforcing standards that yield the best customer experiences and the best attainable profits, by micro-managing the profit impact of every job, every employee and every step in the marketing, sales, delivery and service aspects of the business. It is about creating a winning Program and having everybody get with The Program – or get gone. I call this book the permission slip business owners have been waiting for, to manage their people and their businesses for maximum profit – without anxiety, guilt or squeamishness. It's a liberating and empowering book. Then it has very specific, in-depth how-to strategies. I'm told people laugh out loud reading it, because of its unbelievably blunt and candid, and to some, outrageous and radical revelations. I'm glad people have fun with it. I put some very pointed, original cartoons in it for that very reason. But make no mistake, this is a very serious manifesto for serious business owners in serious times.

Jim: I've, of course, read the book, and I was struck by three things I'd like you to talk about, that I would call: process improvement, people improvement and profit improvement. Let's touch on each one.

DAN: It all starts with accurate measurement of what's really happening versus having or establishing standards for what's supposed to be happening. For three or four years, I was on a speaking tour, at seminars with 10,000 to as many as 35,000 people in the audiences, and I frequently followed – and got to know – General Norm Schwarzkopf. A line I wrote down from him is: shined shoes save lives. What he means is, being undisciplined, casual, sloppy about seemingly little things inevitably permeates to affect all things, and on the business battlefield where we operate just as on the actual battlefield, it'll get you killed in tough times. So, you need standards *for everything*. And *everybody*. Number of rings before phone is answered. Number of referrals per customer per 90 days, a certain 'under' triggering a series of pre-planned actions. Etc. Etc. In other words, you have to measure to manage, and what you can't or aren't measuring, you can't be managing. Face it. Get real about it. That's foundational to all three opportunities for improvement you named: process, people, profits.

So, as an example, let's take the sales process, which I write about extensively in the RUTHLESS MANAGEMENT book. I have a client with this process: leads are generated by advertising; leads are moved to the setting of appointments; salespeople make presentations at those appointments; some buy, many don't. There are lots of things to be measured here. Conversions of visitors to the web site to requests for information; percentage of those sent info setting appointments; percentage of those setting then keeping appointments; and, of course, percentage buying vs. not buying. And there are many variables that can be worked on, to try and improve each of those results. If, for example, the percentage of appointments kept is 72% when they speak with Betty when they call in, but only 64% if they speak with Helen, we either find out what Betty's saying or doing differently than Helen and keep training and coaching Helen until she gets her efficacy up to Betty's, or we get Helen off the darn phones. We definitely measure both in real time, day to day; don't keep the results a secret. If there's a script getting Betty the 72% we insist that it be memorized, practiced and used by Helen….we "mystery shop" and record her calls….and if she won't get with The Program within a reasonable probation period, we fire her. But here's a big, hidden opportunity found in this business. The non-buyers, left to

the salespeople for follow-up, were nearly worthless; fewer than 5% came back and bought within 60 days. Mostly because the salespeople believed them worthless and wouldn't do – and lied about doing – the prescribed follow-up, let alone working earnestly on finding ways to improve the result. Taking that away from the salespeople and implementing a series of three follow-up letters over six weeks, we got 16% back to buy. That's big. This company had been doing "just fine" tolerating the 5% when 16% was available during the generous economy. They can't afford it during the turned-grumpy-and-intolerant economy. They shouldn't tolerate it at all. So, that's process improvement. The Helen-Betty situation might be resolved by process improvement, a better script, training, better supervision. Or it might require people improvement. Now, given the 5% to 16% improvement created, this business can actually afford a dip in first presentation sales that *might* be caused by a price increase. Let's play. As example, if their salespeople average 20% sold, plus 5% after the fact, at $1,000.00 each, that's $25,000.00 per 100 people getting presentations…if at a 50% profit: $12,500.00 profit. If I raise the price to $1,500.00 (thus DOUBLING the profit from $500.00 to $1,000.00)….the percentage buying at presentation drops from 20% to 15%, and that 16% drops to 9%, I'm at 24% vs. the old 25% (down only 1%)…24 x $1,500.00 gross, $36,000.00 instead of $25,000.00, and more importantly $24,000.00 profit vs. $12,500.00 profit. That's profit improvement. And, by the way, contrary to common fear, price increases do not necessarily cause significant drops in sales made. Then we can go back around the horn, to try to improve the at-presentation sales with better scripts, new answers to price objections, new financing options, sales training and/or new and better salespeople. And, of course, we could combine all this with deliberately seeking more affluent buyers. That's what my RUTHLESS MANAGEMENT book is all about. In short, squeezing a lot more good juice out of each orange you have, so even if, temporarily, your tree produces fewer oranges – the recession effect, you still get more juice, not less.
And please don't say: that example doesn't apply to me because – because whatever. I don't use that business model. I don't have salespeople. Yada yada. You just have to be smarter than that. The principles apply everywhere. And ruthless management starts with ruthlessly managing yourself.

Jim: We've been plugging your book, but I know you have blatant and crass commercial messages…

DAN: I'm willing to sing for my supper – but I *want* my supper. And I think I've done a lot of singing here, don't you? So. First, the books; they are available at amazon.com, BN.com, Barnes & Noble, Borders, other booksellers, and free info about the entire No B.S. book series is perpetually up-dated at www.NoBSBooks.com. If you want bulk quantity discounts, if you're buying dozens or hundreds of copies, try 1-800-CEO-BOOKS, or your local Barnes & Noble store has a corporate/business discount program. Both books have audio CD's included right inside, plus online resources at web sites provided in the books.

Jim: Now, Dan, any closing thoughts?

DAN: Kate Hepburn said: old age isn't for sissies. The older I get, the more I appreciate the remark. Business success, especially in difficult economic times, isn't for sissies either. This is a time to ruthlessly hold yourself, your every process, every employee, entire business and its profits accountable. To have a zero tolerance approach to anything or anyone depressing profits. This is also a time for new thinking, new approaches, new initiatives, and bold action. And this is a time when it is more important than ever to be cautious of toxic influences of relentlessly negative pessimists, cry-babies, complainers as well as media mouths and politicians magnifying crisis and gloom for their own purposes – and to seek out and associate in every way possible with tough-minded, creative, innovative, forward-thinking people in your field, leaders of your field, as well as qualified, credible advisors outside your specific field who keep you focused on opportunity. Frankly, the tendency, the temptation thoughtlessly given into by so many is to cut back on that which should never be cut back on, drop out of what should never be dropped out of, to isolate. Whatever small savings comes of it, the true cost is infinitely higher. Conservation has its place, but never as substitute for investment.