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Survival of the fittest

By Diane Jermyn
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In a tough economic climate, it's possible to survive and even prosper, if you focus on getting the customer experience right. Business Incubator talked to merchants in Toronto's Distillery District about how their businesses are coping.

What can small business do to survive the next six to 12 months? These days, the only thing that small businesses can count on is uncertainty as they try to figure out what they need to do to get things right in this economy. To find out how merchants are feeling and what they are doing about it, Incubator conducted a mini-sampling of retail merchants in Toronto's historic Distillery District and then sought professional advice for some helpful tips.

David Castellan, co-owner of Soma Chocolate, says that, after enjoying a good holiday season, his business hasn't changed much so far. Still, he's feeling less confident in general. "We're looking for another location but we might downscale the space a bit," says Castellan. "We're in that special category — an affordable luxury — so we're not laying people off."

Syd Beder, a partner in Lileo, a contemporary lifestyle fashion boutique, is being cautious about bringing in more expensive pieces. Beder, who imports much of his merchandise from the United States, doesn't want to sacrifice the store's uniqueness in Toronto but is frustrated at having to deal with the Canadian currency devaluation which adds to the cost of his goods. He'd like to see the government lower import duties which he feels have failed to protect the domestic market anyway. His plan for the upcoming year: "Every piece has to have value."

Joanne Thompson, owner of Thompson Landry Gallery and Taste of Quebec food boutique, is taking a proactive approach to get things rolling. "We're looking at finding reasons to get people down to the gallery more," says Thompson. Her plan for 2009: "Showcasing new artists, having more special events to keep it exciting and continuing to give away the space to charity functions that bring in new people. That's good for everyone."

What else can small business owners do to combat the cold winds of economic change? Mark Satov, founder of Satov Consultants Inc., a business strategy firm in Toronto, says it's important to keep the long term in mind. "Ask yourself what position you want to be in the marketplace when this is over," says Satov, who speaks to clients daily about their anxieties over the current financial situation. "As a leader, you need to show a steady hand. When you're making cost reductions, make sure that you will still have the capabilities, the people and the assets you need when you're coming out of it."

Satov advises cutting things that don't require a lot of restructuring and time costs before you get to the savings and to cut them at the right time.

"Often people cut before they need to," says Satov. "Sales may be off just a little, but people will think things are terrible. Be ready, be alert but don't panic. Have a plan. Know what signs you're looking for but don't actually make the cuts until those signs emerge because they may not emerge."

On the upside, Satov suggests businesses take advantage of the current situation by pushing through projects that are good for the company in the long run — such as reducing the complexity of their product line — but often don't get attention when everybody's making money. Small companies may also find they have a little more strength when negotiating with their suppliers for cost reductions. "They might not have believed you last year," says Satov, "But this year, they may pay attention."

Satov believes that price is going to be a bigger factor than ever in the coming year, an opinion shared by other business strategists such as Mark Healy, a partner in Torque Customer Strategy. "Understanding competitive pricing and your value proposition relative to competitors is crucial to nailing the right price in this economy," says Healy, who also says that providing great customer experience is the best way to lock in customers, drive loyalty and protect against attrition. "Get the customer experience right," says Healy. "Not getting it right is the fastest way to churn losses since customers will look around more than ever."

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