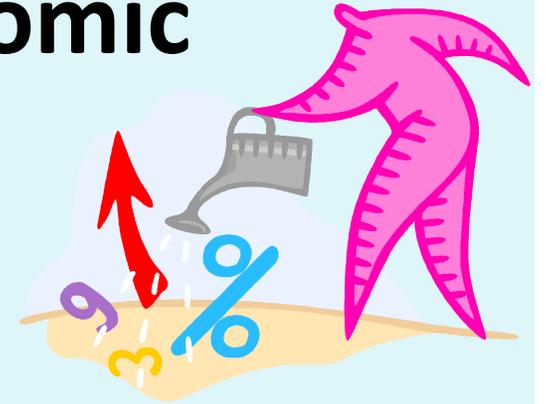


Tips on Surviving an Economic Downturn



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The Bottom Line

- ❖ Your main function as a manager is to manage!
- ❖ Your firm possesses a unique bundle of resources.
- ❖ Use these resources to develop your core competences that give you a comparative advantage.

Managers should:

- ❖ Develop a strategic plan by brainstorming with employees to review Strengths, Weaknesses, Opportunities and Threats
- ❖ Implement it
- ❖ Share your mission and objectives with your employees and customers.
- ❖ Evaluate costs and reduce them.
- ❖ Implement effective financial management practices – cost accounting, benchmarking, ratio analysis, asset management, etc. to measure success.

What is strategic planning?

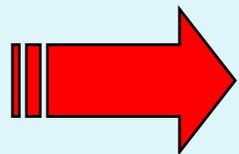
- ❖ Strategic planning is a fancy term for focusing on long-term planning to stay competitive.
- ❖ It is an organized way of looking at how you can be competitive.

Why strategic planning?

- ❖ Looks at the “Big Picture.”
- ❖ Helps you focus on core competencies that lead to competitive advantages.
- ❖ Identifies strengths to build on and weaknesses to correct or overcome.
- ❖ Considers external forces in the industry – many currently negative
- ❖ Anticipates and takes advantage of business trends.
- ❖ Leads to substantial changes by aligning the firms activities to the market position.
- ❖ Anticipates the reaction of competitors.
- ❖ Looks at a long term time horizon.
- ❖ Sets up a system of implementation and controls to measure progress.

Why now?

- ❖ Financial uncertainty
- ❖ Rising costs, but flat prices
- ❖ Consumer fears
- ❖ Increasingly global and complex market
- ❖ Growing public concern about chemicals & water pollution
- ❖ Slow housing starts
- ❖ Maturing market



Business survival may be at RISK!

Strategic Planning Starts And Ends With The Profitable Satisfaction Of Consumer Needs

- ❖ Why are we in business?: The firm's goals.
- ❖ How will the consumer need be better filled:
The firm's objective.

What Consumer Need Will Be Filled: The Firm's Mission

- ❖ How do my:
 - ❖ Abilities
 - ❖ Interests
 - ❖ Locations
 - ❖ Other factors help me succeed in the market I chose?
- ❖ What kind of business do I want to operate?

Why Are We In Business: The Firm's Goals

- ❖ What level of profits is needed?
- ❖ How large should the business become?
- ❖ Are our motives purely profit, or do we also make investments for community status or other reasons?
- ❖ How will we provide employment and financial security for family members?

Objectives Should Be Measurable And Have A Specific Time Period

- ❖ Increase return on investment 20% within the next three years.
- ❖ Increase sales by 50% over the next five years.
- ❖ Reduce labor costs by 20% over the next five years.
- ❖ Keep sales at 90% of last year.

Internal Strengths and Weaknesses

- ❖ Strengths and weaknesses are internal characteristics of a businesses such as location, skills of key employees, and cash flow position.
- ❖ Threats are the negative external forces that inhibit the firm's ability to achieve its objectives.

The types of questions to ask include:

- ❖ What is the cash position of the firm?
- ❖ What are the skills and limitations of the owner/manager?
- ❖ Does our current strategy require greater competence or resources than the firm currently possesses?
- ❖ Do the firm's skills and resources limit the alternatives?
- ❖ Does the current strategy exploit marketing and production opportunities?
- ❖ Do management's personal preferences or sense of social responsibility limit the alternatives?

External Opportunities and Threats

- ❖ Threats are the negative external forces that inhibit the firm's ability to achieve its objectives.
- ❖ Opportunities are positive external factors that the firm can employ to accomplish its objectives.
- ❖ Managers need to match their firm's strengths and weaknesses to external opportunities and threats.
- ❖ They need to analyze the key factors for success and analyze the competition.
- ❖ Building a successful business requires magnifying strengths, and overcoming weaknesses.

The types of questions to ask include:

- ❖ Can current or emerging economic and market trends become business threats or missed opportunities if you don't include them in your strategy?
- ❖ Is technology changing such that you will not be able to compete with low cost producers who adopt the new technology?
- ❖ Will government regulations force you to adopt new systems?
- ❖ How can you offer service and convenience to compete for today's worried consumer?
- ❖ What is happening to your industry locally, regionally, and nationally?
- ❖ What opportunity does this open up for your business?
- ❖ What threats or challenges does it create for your business?
- ❖ What changes are businesses similar to yours making?
- ❖ Have others made changes that might work for you or that you want to avoid?

Greatest Challenges to Business Expansion

- ❖ Owner/operator age
- ❖ Availability of capital
- ❖ Supermarket chains
- ❖ Competition costs
- ❖ Customers
- ❖ Deer/groundhogs
- ❖ Economy
- ❖ Energy prices
- ❖ Insurance
- ❖ Labor
- ❖ Land
- ❖ Long hours
- ❖ Marketing
- ❖ Market saturation
- ❖ Regulations
- ❖ Relocation
- ❖ Resources
- ❖ Time
- ❖ Water issues
- ❖ Weather

Source: 2003 survey of New Jersey Growers, Brumfield, Both, & Wulster

Develop strategic alternatives

- ❖ Use the information has been gathered in the previous steps to develop and evaluate alternative strategies that will attain the objectives of your firm.
- ❖ Match your firm's strengths and weaknesses to external opportunities and threats.
- ❖ What are your core competencies that give you a competitive advantage?
- ❖ What are quantifiable goals that will accomplish your plan?
- ❖ Reducing costs is an important consideration no matter what type of competitive strategy you choose.

Products & services

Benefits

–What are the unique benefits?

–Real versus perceived value

⇒ appearance	⇒ accuracy
⇒ performance	⇒ ease/cost of installation
⇒ price	⇒ ease/cost of training
⇒ versatility	⇒ ease/cost of use
⇒ durability	⇒ ease/cost of maintenance
⇒ speed	⇒ quality

The Customer Profile

- ❖ Who exactly is the target market?
- ❖ Where do customers live?
- ❖ What are their characteristics?
 - ⇒ age
 - ⇒ hobbies
 - ⇒ gender
 - ⇒ education
 - ⇒ income
 - ⇒ ethnicity

Identify the competition

- ❖ Competitors
 - ❖ Who are the major competitors?
 - ❖ Name and size of firm
 - ❖ Location
 - ❖ Market share
- ❖ Competitors strengths and weaknesses
- ❖ How will competitors respond?
 - ❖ Will they respond by changing price?
 - ❖ Will they change their product?

Strategies For Price Takers

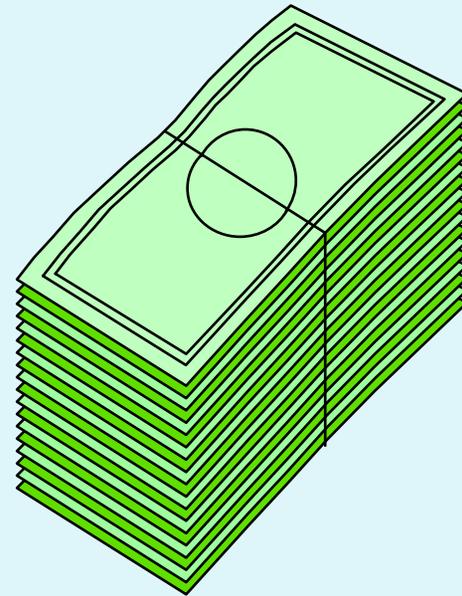
- ❖ Reduce costs.
- ❖ Diversify by adding new enterprises or products.
- ❖ Use pricing strategies to increase sales such as multi-unit pricing.
- ❖ Differentiate – Look at alternative crops.
- ❖ Right size the operation - Bigger is not necessarily better.
- ❖ Add services – Delivery, unloading, potting stations, etc.
- ❖ Replicate.
- ❖ Specialize or focus on one or only a few products or activities.
- ❖ Charge a price premium for high quality products.
- ❖ Integrate horizontally thus spreading the fixed costs over more units of output.
- ❖ Vertically integrate the business by going higher or lower in the marketing chain.
- ❖ Partner with other producers, cooperatives, suppliers, or companies to produce, purchase inputs, or market.
- ❖ Develop an exit strategy or downsizing plan for the business.
- ❖ Reduce risks – Life, disability, health, crop, fire, wind, hail, and liability insurance; line of credit; pesticide management plan; conservation plan, etc.
- ❖ Benchmark your costs against industry standards.

Strategies To Differentiate Your Product

- ❖ Find a market niche that local competitors are not serving.
- ❖ Grade according to quality and offer higher quality products for premium prices.
- ❖ Adapt to changes in consumer tastes and preferences – go green, develop a web presence.
- ❖ Add service to the product.
- ❖ Look for alternative crops or products that are not so competitive.
- ❖ Evaluate your location. Some existing producers have found the best strategy is to sell exiting facilities and move to a new location where they can take advantage of building newer, more efficient facilities.
- ❖ Focus on the system and improve the profitability at the current level of production before considering getting bigger.

When times are tough, Cash is King!

- ❖ Consider ways to eliminate debt or restructure it.
- ❖ Implement financial management practices that will allow you to:
 - ❖ Reduce costs
 - ❖ Increase profitability



Conclusions

- ❖ Focus on your core competencies.
- ❖ Analyze how your individual strengths and weaknesses can be used and improved for business success.
- ❖ Identify business forces that will affect your business.
- ❖ Be proactive - anticipate and take advantage of business trends.
- ❖ Stay informed about your customers needs and desires.
- ❖ Keep focused on your strategic plan – change or modify it as external and internal situations change.
- ❖ Share your mission and objectives with your employees and customers.
- ❖ Evaluate costs and reduce them.
- ❖ Implement effective financial management practices – cost accounting, benchmarking, ratio analysis, asset management, etc.

Questions?

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