

# Avoiding shipwreck – a consultant's view on the challenges and response

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What happened?



What challenges are we facing?



How should you respond?

# What happened?



# The high level view....

**Low cost of capital  
coupled with low default  
rate**

**High demand for finance  
fuelled by globalisation  
and new green economy**

**View of risk changed  
Trust broke down  
Financing market stopped**



# What challenges are we facing?



# At the highest level the risks are...

Sustaining and justifying the liberalisation agenda may be difficult – could be a good or a bad thing for the industry

The retail and advertising markets could be seriously affected by bankruptcies, consolidation and a general focus on cutting costs



# At the highest level the risks are...

The substitution rate from e-channels may increase and leave scale businesses with stranded costs and real issues



# But there are opportunities...

Organisations will have to increase communications with their customers and their shareholders if they are to survive

Buyers may be more willing to have a discussion about pricing models and structures



# But there are opportunities...

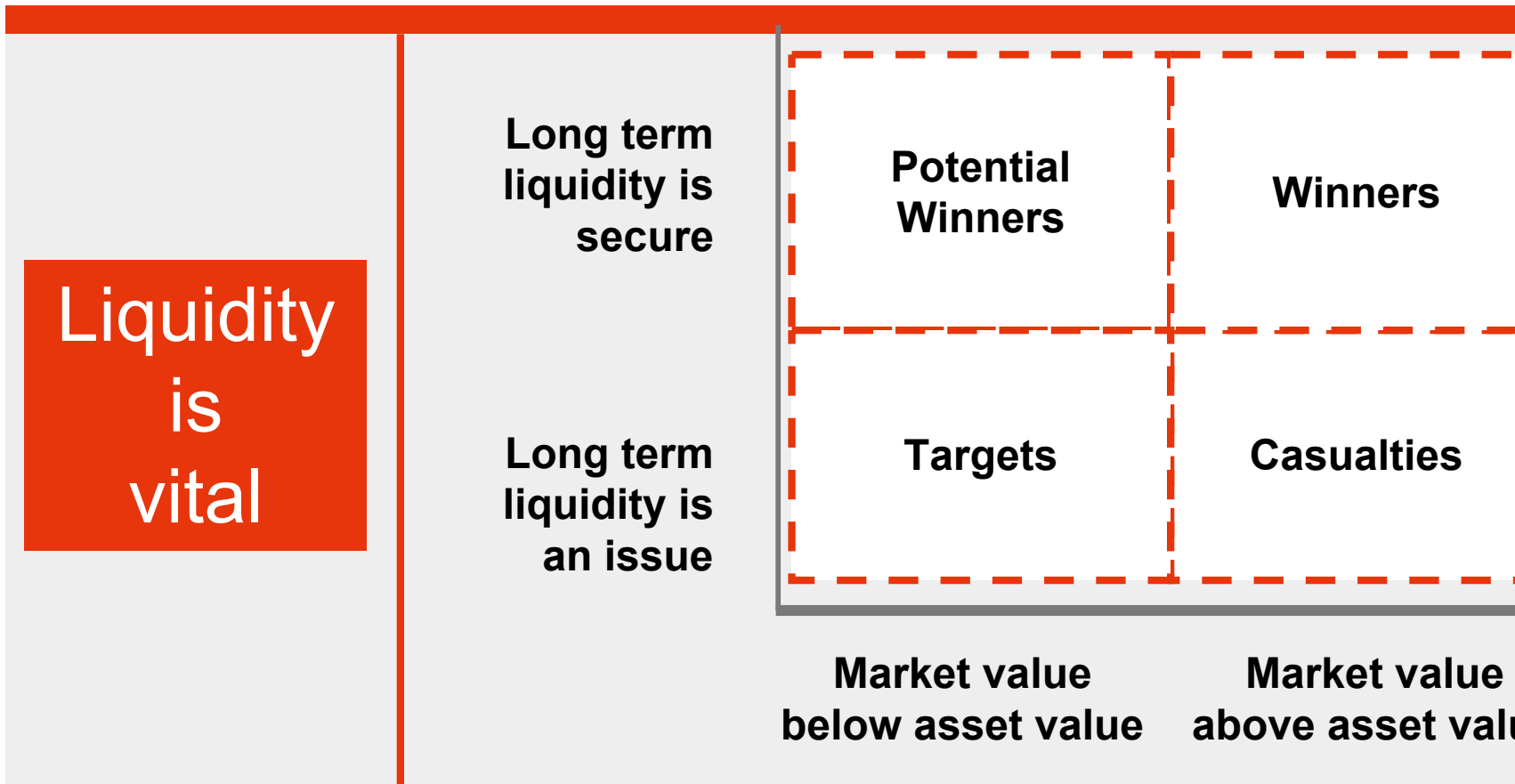
Many of the new technology/  
new media firms are small  
companies who may not be  
able to secure the liquidity –  
you may be able to buy new  
capability, market share, and  
enter new markets more  
cheaply than ever before



# How should you respond?



# Step 1: understand your starting position



## Step 2: understand what is happening to your market

Where could customers downgrade their product choice?

Where could customers switch to other channels?

Where could customers reduce their demand?

What is the level of vulnerability for each area of your portfolio?



# Step 3: understand what is happening in other markets

Which sectors will be the winners and losers in the current crisis?

Where is there excess capacity?

Where will consolidation happen?

How will each sector address the challenge?



# Step 4: understand what is happening to competitors

How will your competitors be affected by the change in market profile?

How will your competitors be affected by the change in sector profile?

Who will be the winners and losers – how will they respond?



# Step 5: understand what is happening to your suppliers

How will your demand for their services may change?

How will the impact of demand changes affect contractual relationships?

How vulnerable are they to the economic crisis?

What is your supplier strategy?



# Step 6: understand your game plan for surviving/ thriving

**Secure liquidity**

**Optimise business  
mix**

**Improve performance**

**Take bold steps**



# Points to remember

This is **different** no one has seen a financial crisis of this magnitude...overlaid upon a serious downturn...and long-term trends which will be adverse for many western businesses



# Points to remember

The Bank of England deputy governor Charles Bean called it the *'largest financial crisis of its kind in human history'*.

**Survival** will be an issue for many businesses – liquidity even more important than performance



# Points to remember

This is **not business as usual**, or even recession as usual

Belt-tightening is ***not*** the name of the game – for most organisations it won't be enough



# Points to remember

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The winners will be

**agile** – moving quickly to exploit every opportunity

**proactive** – anticipating and taking action

**strategic** – focusing on long term value



# Thank you!

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