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Economic Gloom? July 2008

In the wake of the gloomiest economic forecast from the Bank of England for a decade companies are being warned against excessive belt tightening if they want to stay in business.

While an economic slowdown is expected over the next few years, and incomes may be squeezed while the economy goes through a painful period of adjustment, experts claim the chances of a full blown recession remain remote.

"There is a danger that firms will be panicked into making cut backs in areas that are essential for growth," said Gordon JH Mowat CA, of Aspire Management Services, one of the Scotland's leading business coaching and mentoring organisations.

"Cutting back in marketing, promotion and measured growth during a slow down is like saying 'I'm short of time so I'll stop my watch for a few hours'. It's doesn't work!

"A lot of the companies we work with are looking at ways of making the most of the opportunities which are bound to arise in the next few months.

"Our consultants have been busy in the last few weeks updating business plans for our clients preparing to emerge from any economic downturn stronger than ever."

While certain sectors of business claim to be experiencing problems as a result of the credit squeeze many others are still inundated with work.

"I certainly don't think businesses should be tightening their belts aggressively. In most cases just a little bit of extra caution about making major decisions is probably in order." said Peter Patterson, Economic Advisor with the Institute of Directors.

"We've just had a gloomy assessment from the Bank of England but most firms are still pretty good outside of the financial sector and the housing market.

"It doesn't feel like a recession to me. I think we'll see a lengthy period of relatively slow growth through 2009 but it's not like the 1990s when interest rates shot up and people were losing their jobs.

"Many sectors, such as the big advertising firms, are not reporting any kind of slow down at all."

One area that seems to be doing well is the creative industries as many marketing agents, designers and advertising bosses claim to be flooded with work as their clients become more competitive in the face of the slowdown.

Leading software design company Sohmar has reported a huge increase in business in the last couple of months.

"We've had training sessions with client staff to show them how to operate our system postponed on numerous occasions because people are too busy," said Tracey Shirtcliff, Managing Director of Sohmar, which recently won a Queen's Award for Innovation.

"It's ironic because they are buying Traffic to help them manage their busy businesses and then finding work is so hectic that it takes them up to eight months to implement the software."

In the last five years Sohmar, which designed the award-winning Traffic management software specifically for creative businesses, has grown from a single



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back-room office with three staff to a global concern employing 27 people with customers in nine countries and offices in London, Sydney and New York.

"We have never been so busy," said Ms Shirtcliff, 36, one of only a handful of female businesswomen to be honoured at this year's Queen's Awards.

"A downturn is coming but a lot of the business people we deal with are preparing to streamline their working practices, improve efficiency and trade their way out of possible difficulties."

Marketing company Ark Communications, whose clients include Madame Tussauds and Elite Spanish Holidays, also report being swamped with work.

"So far we haven't been affected by the slowdown nobody seems to be spending any less. A funny thing I've always noticed, over the last 25 years in this business, is that the minute there's a talk of recession we get busier rather than quieter." said Stuart Mcleod, Managing Director.

"If there is something in the wind it could be borne out by the fact we are very busy at the moment. When things get tighter companies market more to get every bit of extra business they can but they won't do it in the spectacularly expensive fashion they might if things are going really well, it'll be more restrained.

"They won't spend on a big exhibition or take out a double page of advertising it'll be more direct and better value for money things like direct mail and internet campaigns."

A spokeswoman for both British Design Innovation (BDI) and the Direct Marketing Association (DMA) said that their members remain 'as busy as ever'.

"We've seen a lot more interest in on-line activity and I think a lot of companies are looking at their websites and asking themselves if it's really working for them from a marketing point of view." said David Winters, Senior Account Handler with Barnsley-based design company Deviate.

Internet advertising estimated to be a £2.8 billion business, in the UK alone, has taken a strangle hold over much of the marketing industry and Mr. Winters believes talk of a recession could actually feed the beast.

"One of the big bonuses of internet advertising and use of the web is that it's very measurable." said Mr Winters

"We are starting to reach the same sort of interest levels in internet advertising that we had in direct mail in the recession of the late 70s and through to the 80s when direct mail grew considerably.

"If recession does come upon us, and we hear different stories every day of the week, companies who are prepared to spend extra will find themselves with increased air space because their rivals will be more timid about advertising or marketing.

"The ones who cut back will be the ones who have problems in that they won't be able to bounce out of a recession. There are countless case studies from history which show this is the case."

According to Gordon Mowat of Aspire Management just because there are predictions of tough times ahead there is no need for business to bury their heads in the sand.



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"Times are tough - there is no getting away from it, but if businesses all recoil and wind in their operations it will have a knock on effect on themselves and the economy as a whole," said Mr. Mowat.

"To weather an economic downturn business people must be brave and continue to take calculated risks as that is what successful business is all about. I certainly wouldn't recommend slashing promotional budgets as there is no guarantee competitors will do likewise and a firm could suffer serious consequences if they let somebody else capture their market share."

Gordon JH Mowat CA is Director of Aspire Management Services Ltd

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