# Why Smart Operators Invest in their Businesses during a Sluggish Economy

During good times, everybody makes money: well run businesses make a lot of money and poorly run businesses make some money. During more challenging economic times, well run businesses still make money, but poorly run businesses go under. Whether you call it a shakeout, Economic Darwinism or something else, we all know it happens. Something else happens, as well. When the economy rebounds, the consumers serviced by those marginal competitors will be looking for a new supplier – market share will be up for grabs – and the operator that has invested in his business during the downturn will be better positioned to capture it.

Remember the 1981-1982 recession? According to a McGraw-Hill study of 600 companies covering 16 different SIC industries from 1980 through 1985, firms that maintained or increased advertising expenditures during the 1981-1982 recession averaged significantly higher sales growth, both during and after the recession. By 1985, sales of companies that were aggressive recession advertisers had risen 256% over those that didn't keep up their advertising.

A series of six studies conducted by the research firm of Meldrum & Fewsmith showed conclusively that advertising aggressively during recessions not only increases sales but increases profits. This fact has held true for all post-World War II recessions studied by American Business Press starting in 1949.

> *"It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times."*
>
> *Professor John Quelch, Harvard Business School*

Investing in your business during slow times is not limited to marketing. Labor is cheaper, materials are less expensive, and build outs can be completed more quickly. That prime location that was out of reach when times were good…maybe within your grasp when times are leaner.

Finally, think about personnel. Since weaker competitors can make the mistake of firing during a recession, the labor pool of good talent increases. In addition, it is easier to invest training time in new hires during slower growth periods that can translate into long term success.

There is no question that your stronger competitors are investing in their businesses during the current economic slowdown. The only question is whether you are positioning yourself to capture your piece of the market share newly up for grabs. If capital is tight, consider a business loan. The time to invest is NOW. According to the National Bureau of Economic Research, over the last 50 years, recessions in the United States have averaged only 11 months. You can't afford to wait.

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