

Business Life



Beachside Holiday Park in Ilfracombe, Devon is owned and operated by Darwin

How to survive an upturn

Thrift industries are investing windfall profits brought by the recession in an attempt to flourish when conditions improve, writes **Alicia Clegg**

Times are good," says Jonathan Barker, founder of The Watch Lab, a UK chain of watch repairers. Nevertheless, he is already asking himself what he can do today to ensure that in two, five or even 10 years, he can still say that times are good.

Thrift industries such as watch repairs do well in a downturn only to see sales evaporate when economic conditions recover. But canny managers in such counter-cyclical sectors can prolong their enjoyment of new customers by re-investing some of the extra cash they are generating.

"When the money is coming in, companies tend not to see their operational and strategic weaknesses," says Rupert Merson, a partner at BDO Stoy Hayward in London. "But those weaknesses will bite back when conditions turn against them."

To avoid becoming recovery victims, they should broaden their commercial base. Strategies that can help, says Mr Merson, include: diversification, experimenting with products and marketing, consolidating customer relationships, brand building and exploiting opportunities to improve staff and facilities and achieve greater scale.

Tom Craggs, a family-owned Leeds shoe repair chain, has used the extra cash generated from a sales boost of 15-20 per cent to launch an online repair service to increase market share. "Come the

upturn, we should still do better because we will be covering the whole country instead of being limited to Leeds," says co-director Paul Craggs.

Recognising that different times demand different approaches can make a business more sustainable, says Mr Merson. This includes being responsive to changes in customers' expectations.

Victoria Brannen, a director of Darwin Property Investment Management, an investment management company that buys and operates holiday parks, points out that the new customers looking for value for money are often more affluent than the old, loyal customers and are used to a higher standard of service.

The key to retaining this new business "is to ensure that customers leave pleasantly surprised", says Ms Brannen. "If you are taking a holiday which you, maybe, wouldn't have chosen if you had other options, you tend to come in with a slightly more critical eye."

Businesses that know who is buying from them, and why, stand a better chance of holding on to customers gifted by recession. But counter-cyclical sectors are usually populated by small operators that lack the capital or know-how to invest in, say, databases and customer surveys that would yield important information.

In the holiday park industry, for instance, Ms Brannen says: "A lot of businesses only ever think of their customers in terms of the holidays they are buying today, rather than the holidays they might buy in the future."

Richard Carrick, chief executive of UK self-catering specialist Hoseasons, says his sector has often been short-sighted but adds that his own business is now investing in the data collection systems and analytical tools needed to market self-catering breaks to the different groups of holidaymakers that now comprise its clientele. With this knowledge, it can work out how customers might be tempted to buy more often, or at a higher price point, in the future.

Hoseasons plans to analyse post-codes to help sell weekend breaks to customers who are self-catering because of the recession. "The

maximum most people want to drive on a Friday night, for a short break, is two hours. By picking up the locations within a two-hour drivetime of people's postcodes, we can present them with relevant offers," he says.

A new style of marketing may be required. Chris Crombie, chief executive of HobbyCraft, a UK retail chain specialising in craft-based hobbies such as jewellery-making, knitting and model-making, says it used to focus wholly on craft enthusiasts. Now it is addressing people who might take up a craft for the first time: "Rather than just telling people we have a store full of products, we are selling the idea that hobbies are an enjoyable low-cost way of occupying leisure time," he says.

Figuring out how to support novice hobbyists so they want to buy again preoccupies gardening specialist Sutton Seeds. It has seen an influx of people taking up growing their own vegetables: "In the past, we just used to put seeds on stands and relied on experienced gardeners to buy them. Now we do a lot more to say 'if you are just beginning these are the things to go for'," says marketing manager Tom Sharples. If customers end up literally with small potatoes, they will not be so keen to try again.

For some businesses confident of holding on to their new customers, a recession is the ideal time to buy property. HobbyCraft had expected to open four stores this year to raise its total to 42. Now Mr Crombie plans to speed up the expansion to take advantage of prime out-of-town sites becoming available as other companies fold.

Another way to extract lasting gains is to diversify into activities that will perk up when revenues revive. Ms Brannen says that while Darwin enjoys a surge in demand for caravan and holiday home rentals, it is at the same time investing in the depressed holiday home sales sector, in anticipation of the day when the market swings round and people want to buy instead of rent. Similarly, Mr Craggs has opened an online retail store to reduce his dependency on repairs and complement the range of upmarket brands that his shops began stocking a few years ago. "We're re-investing the extra profits to make a better future."

Tips for keeping customers interested

Businesses that have picked up new customers because of the recession can hold on to them by reinvesting some of the new cash in a few simple measures:

- Learn from awkward customers. "Consumers who trade down are more critical than loyalists," says Victoria Brannen of Darwin Property Investment Management, which buys and operates holiday parks. Listen to criticisms and make the service improvements needed to retain demanding customers.
- Cross-promote and up-sell.

Businesses in traditional industries often make a mistake in thinking customers will buy only what they

bought before, says Richard Carrick, chief executive at Hoseasons. The self-catering holiday company is using geodemographic analysis to spot opportunities for selling supplementary breaks, such as weekend getaways.

- Leaven value-for-money messages with a bit of feel-good marketing, says Chris Crombie of HobbyCraft. In a recession people still look for fun things to do that give them a lift and they may keep a taste for the new pastime.
- Diversify for recovery. "Today's holidaymakers on holiday parks are tomorrow's holiday home buyers," says Ms Brannen.