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Proactive plan

How Dick Buell is running Catalina Marketing Corp. in a tough economy

By Brian Horn

Though it wasn't dominating the news as it is today, Dick Buell could see signs starting in the fourth quarter of 2007 that the economy would be taking a turn for the worse. Crude oil prices sharply increased and Buell knew that fact, coupled with other negative turns in his industry, would greatly influence consumer spending, which, in turn, would hurt the company's clients.

"We concluded that we needed to prepare for a downturn even though our company had not yet seen that downturn," says Buell, chairman and CEO of Catalina Marketing Corp., which posted more than \$500 million in 2008 revenue. "My philosophy is customers dictate what your business is going to be like. If the people I sell products to, which are the consumer packaged goods industry and the pharmaceutical companies, who ultimately, in turn, sell to consumers — those both are people that can impact my business.

"If their businesses are doing well, my company will do well. If their businesses are not doing well, my company will not do well."

Buell was also not naive enough to think that his clients would continue to spend money on marketing, which is often considered discretionary spending, if they were being hurt by the economy.

"As business managers, the economic facts in front of us, the industry trends, the customers' actual performance and consumers, sort of dictated by retail spending and layoff factors, told us that there is a consistent message here that our business environment is not good, and it's going to get worse in 2009," he says.

So, in December 2008, the company's top 75 executives gathered at the Hilton Hotel in St. Petersburg, Fla., to devise a plan to stay afloat in the rough waters Catalina could have to face in the future.

Here are a couple of ideas from Catalina's plan on how to survive in this economy.

Monitor your customers

Systematically monitoring, investigating and discussing your customers' business health and results is the most important thing you can do in deciding if the economic storm is going to hit you and, if it does, how you will get through it.

Buell and his team are tracking their top 20 pharmaceutical and consumer packaged goods companies as well as their top 20 retailers.

"If I picked a major consumer packaged goods company or a major pharmaceutical company or a major grocery retailer and I looked at their press releases and they're quarterly earnings calls, they would be telling all shareholders and me what was most important to the future of their business," he says.

"I don't have to look at everything about a major grocery retailer. I'm going to listen to their quarterly earnings report and their press releases because I know they are going to tell the outside world the most important things. I don't have to figure that out. They've figured that out already."

While you want to pay special attention to your top 20 customers, don't be shortsighted with whom you consider your top 20 customers by simply focusing on who can help you right now.

"It's the best customers we have that are growing, that value our service and (we) can truly help their business, and then indirectly help our business again in 2009, 2010 and 2011," he says. "That's another good way to think about not just one year.

"It is the larger company that can continue to step up and invest in their business and, in turn, invest in our business. Secondly, it's the high-growth businesses. There's medium-sized companies that this economy fits their product or their positioning that can be great partners moving forward not only this year but in to the next two or three years."

Aside from tracking public information to find out how your customers and clients are doing, you have to talk to your customers.

Buell took it upon himself to personally talk to between 15 and 20 CEOs of Catalina's customers. While pleasantries are always nice, you should be direct and ask your customers about their business in all regards: past, present and future.

"Typically, (what) we were doing was asking them about their performance in 2007, actual performance in '08 and, with varying degrees of specificity, their outlooks for 2009 and contrasting those three years," he says. "Because we knew that '07 was generally very good for everybody, and '08 ... in the businesses we deal with, in the first half of 2008, they did well, and in the second half, they did less well. That positioned them well to go into 2009, but with a high, high degree of uncertainty of what was going to happen."

Asking the right questions will help you find out how the company is really doing and how it will impact your company.

"One thing I would ask them is, 'In '09, are you planning to grow at all?'" he says. "I'm going to learn from that, 'Yes.' The second question is, 'Single digits or low single digits or mid single digits?' It's not going to be big double digits. They could tell me they aren't growing at all, which would tell me they're flat. They could tell me, 'In fact, we're going to work hard to try to get back to where we were last year.' That means they're down. I think there are three possible answers that I could learn overall to 'Where's your business outlook for '09?'"

You can also ask the company if it thinks it is experiencing a 12-month problem for 2009, or does the company think its problems will extend into 2010.

"I would ask them (if) they are cutting things in '09 and intentionally shoving them out into '10 and '11," he says. "Whether it's hiring new people, introducing new products, making new equipment investments, I would try to find out, are they pushing things out?"

Once you get those answers, then you can act on them.

"If somebody is growing, I want to make sure that I'm with them, helping them grow," he says. "If there is somebody that is flat or slightly down, I need to be sensitive. That's a guy that could potentially cut programs in 2009 and affect my top line. That's exactly why I'm asking the question. Every question I ask will translate to whether or not my volume is going to change, my margins are going to change or my expenses are going to change."

While asking the right questions will give you some information, some companies, especially private ones, will hold back information, so you should proceed with caution.

"In general, talking to private companies, I know I'm going to get less information. That's by definition," he says. "No. 2, the information they give me, they are going to sincerely try to be helpful because if they are helpful to me, I'm going to be more helpful to them. So, I believe in a positive approach. No. 3, I think if anything, they would probably not provide the greatest level of details about how well they're doing, or how poorly they're doing no matter which direction they were going. So, I'd be cautious about that.

"I don't think they would lie, I don't think they would misrepresent. ... I think I need to be sensitive — they may buffer out good performance or poor performance. I may not know exactly how severe or how successful it is."

Empower your work force

While keeping in touch with your customers will help you through a tough economy, you can't lose contact with your employees. When you keep employees informed, you empower them to do a better job, which is crucial in tough times.

“Everybody loves to know what is going on in their company,” Buell says. “I believe people are intelligent, and I believe people are well informed and sensitive. Whether it’s good news or bad news, I think giving them a very complete picture of where the company stands in performance, how management is thinking about this difficult time, and how we’re going to prepare and continue to share that preparedness with all employees — I believe that is the way to bring the whole team along with us.”

Buell tries to communicate once a month to keep employees informed on how the company is prepared to handle the economy and to give insight on how management is thinking about the problem. Even if you think you are a strong communicator, you should step it up in downtimes.

In Catalina’s case, senior executives use e-mail and voice-mail communications more frequently, and the company has invested heavily in videoconferencing so Buell and his team can make the message available to all employees around the world in a personal way.

“What we are going to do there is people will get to see their executives more,” he says. “It will just be done in a more efficient way.”

It might not be face-to-face, but in stressful times, you need to be seen communicating the message in that more personal way.

“It’s people’s uncertainty and anxiety that exists when you don’t have information,” he says. “We always say bad information is better than no information because at least you know how to handle it and what to do about it. We don’t want any employee ... to not have an understanding how the company is doing, how our industry is behaving and how all of that will impact not only our company but them.”

When you are communicating, you shouldn’t only focus on what the company is doing to fight through the economic times but you should talk about how the work the employees are doing is helping the company and its clients.

“I want every employee to understand that our business model is, right now, helping consumers in a very difficult economy,” he says. “So, I am trying to get our employees to appreciate their company and the product we provide to the marketplace. It is a value to manufacturers, it’s a value to retailers, and more importantly, it’s a value to consumers.

“I want every person to personalize that. Not just generally about the company, but I want them to be motivated and inspired about what they are doing right now in a difficult time.”

Overall, full disclosure of what is going on, making sure employees are proud of what the company is doing, and keeping them motivated and inspired by reminding them of the good job they’re doing will help you empower employees.

“Those three things to me can be translated in every manager’s style and vocabulary,” he says. “If you do those three things, you’re doing everything you can to empower the people.”

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