

# Strategies to Improve Your Business

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Sue Smedinghoff

IL Small Business Development Center  
at Harper College

Business Advisor

# Strategy Discussion

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- Competitive Strategies
- Risk Management Strategy

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- Competitive Strategies
- Risk Management Strategy

# Compete, How in this Recession?

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- Understanding Recession Psychology
  - Buyers' Emotional Reaction to the Economic Environment

# Buyers' Emotional Reaction

<b>Slam-on-the-brakes Buyers</b>
Feels most vulnerable & hardest hit financially
<b>Pained-but-patient Buyers</b>
Tend to be resilient and optimistic about long-term; not so for near-term
<b>Comfortably-well-off Buyers</b>
Feels secure about their ability to ride out the current and future bumps in the economy
<b>Live-for-today Buyers</b>
Carries on as usual and for the most part remains unconcerned about savings

# Buying Psychology

## *Perception of Needs & Wants*

<b>Essentials (Needs)</b>	<b>Treats (Wants)</b>	<b>Postponables (Needs/Wants)</b>	<b>Expendables (Wants)</b>
<b>Necessary for survival or perceived central to well-being</b>	<b>Indulgences; Immediate purchase justifiable</b>	<b>Needed or desired whereby purchases can be reasonably put off</b>	<b>Perceived as unnecessary or unjustified</b>
<b>For Example</b>	<b>For Example</b>	<b>For Example</b>	<b>For Example</b>
<b>Food, Transportation, Medical</b>	<b>Cleaning Services, Updated Image, Catering</b>	<b>Appliances, New Equipment, Investments</b>	<b>Vacations, Redecorating, New Building/ Location</b>



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**Buying Behavior  
Influenced by  
Emotional Reaction &  
Perception of Needs & Wants**



	Essentials	Treats	Postponables	Expendables
<b>Slam-on-the-Brakes</b> (hardest hit)	Seek lower-cost products & brand substitutes, such as private label	Deeply reduces or eliminates treats or seeks low-cost substitutes	Holds off purchases of durable goods unless emergency; delays repairs & personal services	Doesn't buy
<b>Pained-but-Patient</b> (cautious short-term; optimistic for long-term)	Seek favorite brands, but settle for cheaper alternatives; stocks up on good deals	Cut back somewhat on frequency & quantity; emphasize value	Delay major purchases; repairs vs. replaces; seeks value & low cost rather than extra features; negotiate at point of sale	Deeply curtails purchases
<b>Comfortably Well-off</b> (Secure short-term & long-term)	No change; Continues to buy favorite brands	More selective buying luxuries	Seek better quality for the price; negotiate harder at point of sale	No change; May reduce the most conspicuous purchases
<b>Live-for-Today</b> (Carries on as usual)	No change; continues to buy favorite brands	No change; continues to buy favorite brands	May buy if there is a great deal; otherwise postpone	Can justify any purchase; May not expand buying to new types of purchases



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# Strategies to Compete

	Essentials	Treats	Postponables	Expendables
<b>Slam-on-the-Brakes</b> (hardest hit)	Price Smaller sizes for less Private labels	Shrink sizes Hold down prices “You deserve it”	Layaway plans Low-cost financing Challenge “penny-wise, dollar-foolish”	Do-it-yourself alternatives Continue ads for future purchases
<b>Pained-but-Patient</b> (cautious short-term; optimistic for long-term)	Lower price options Promote value of “bulk packaging” Promote “Dependable Brand”	Reward loyalty Alternative to luxury “Boosts morale”	Simplify options/features & offer at lower price Promote “repair” vs “replace” options	Continue ads for future purchases Invest to capture customer when ready to buy
<b>Comfortably Well-off</b> (Secure short-term & long-term)	Continue advertising	Emphasize outstanding quality “Successful & deserve it”	Promote savings from buying NOW “Missing out” if postponed	Discreet purchasing “Impress wealthy friends”
<b>Live-for-Today</b> (Carries on as usual)	Continue advertising “You can’t live without it”	Convenient auto credit card billing “Seize the moment”	Monthly payment plans “Quality of life” benefits of buying now	New “Must Have” products “Aspire to buy” when income permits

# Assess Your Business

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- What type of buyers do you have?
  - Slam-on-the-brakes, Pained-but-patient, Comfortably-well-off, Live-for-today
- How do they perceive your goods and services?
  - Essential, Treat, Postponables, Expendables
- Match buyer type and perception to determine the best competitive strategy!



# Q & A



# Strategy Discussion

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- Competitive Strategies
- Risk Management Strategy



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A Story of 2 Sisters  
Brenda & Mary  
of  
The Cakergirls'

# The Cakegirls', Who?

- Cakegirls – Nationally Known for Specialty & Lavish Wedding Cakes
- Won \$50,000 prize for Food Networks' "Last Cake Standing"
- Featured WeTv's "Amazing Wedding Cakes"
- Made Bake Goods for Bono & Queen Latifah



# Bakery Devastated by Fire March 2010



Sisters Brenda & Mary devastated after building fire

Fire destroys Cakegirls bakery: 'Devastating', Heather Charles/ Tribune

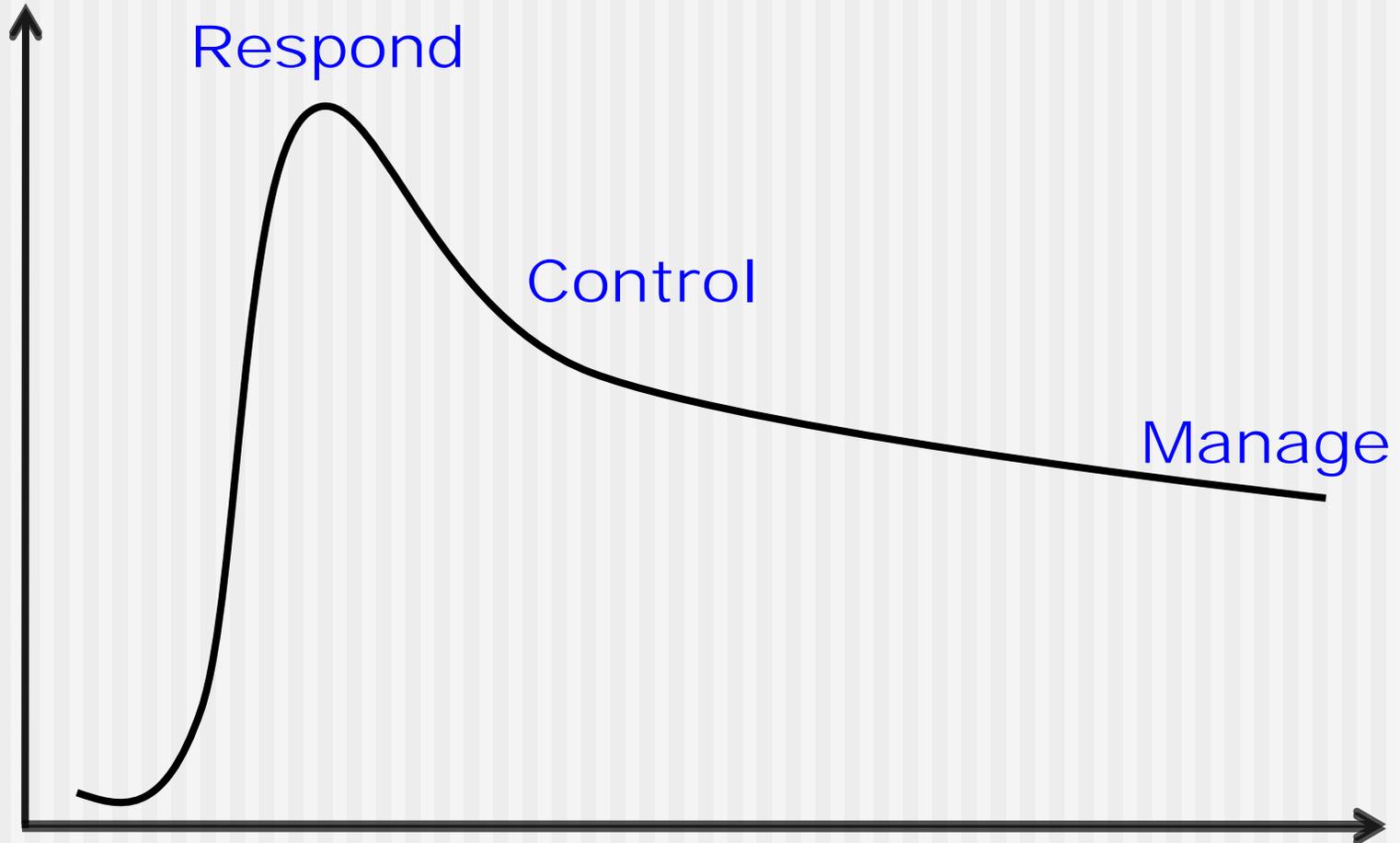


Al Podgorski/Sun-Times



WGN-TV

# Typical Disaster Timeline



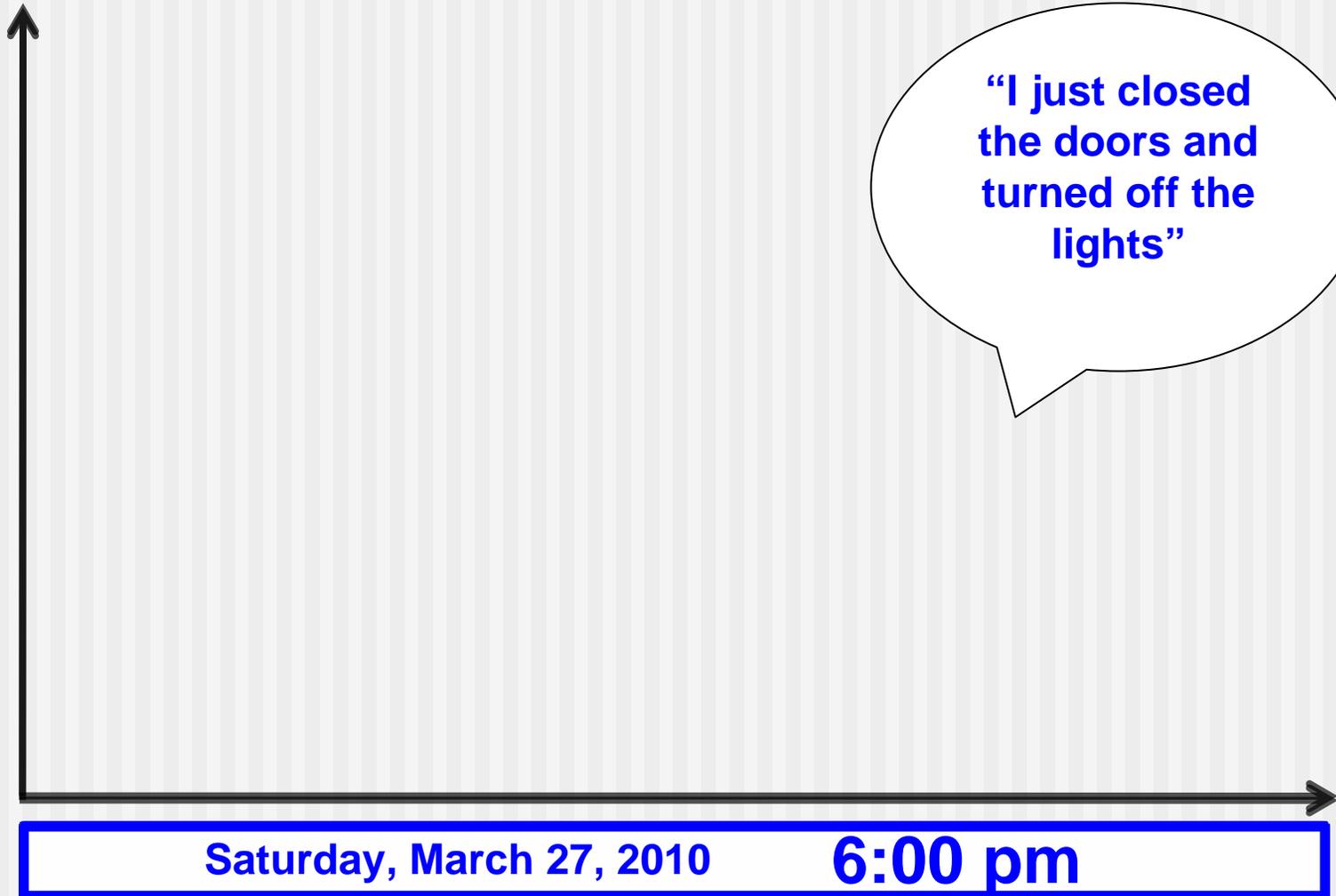
# Their Fire Disaster Story

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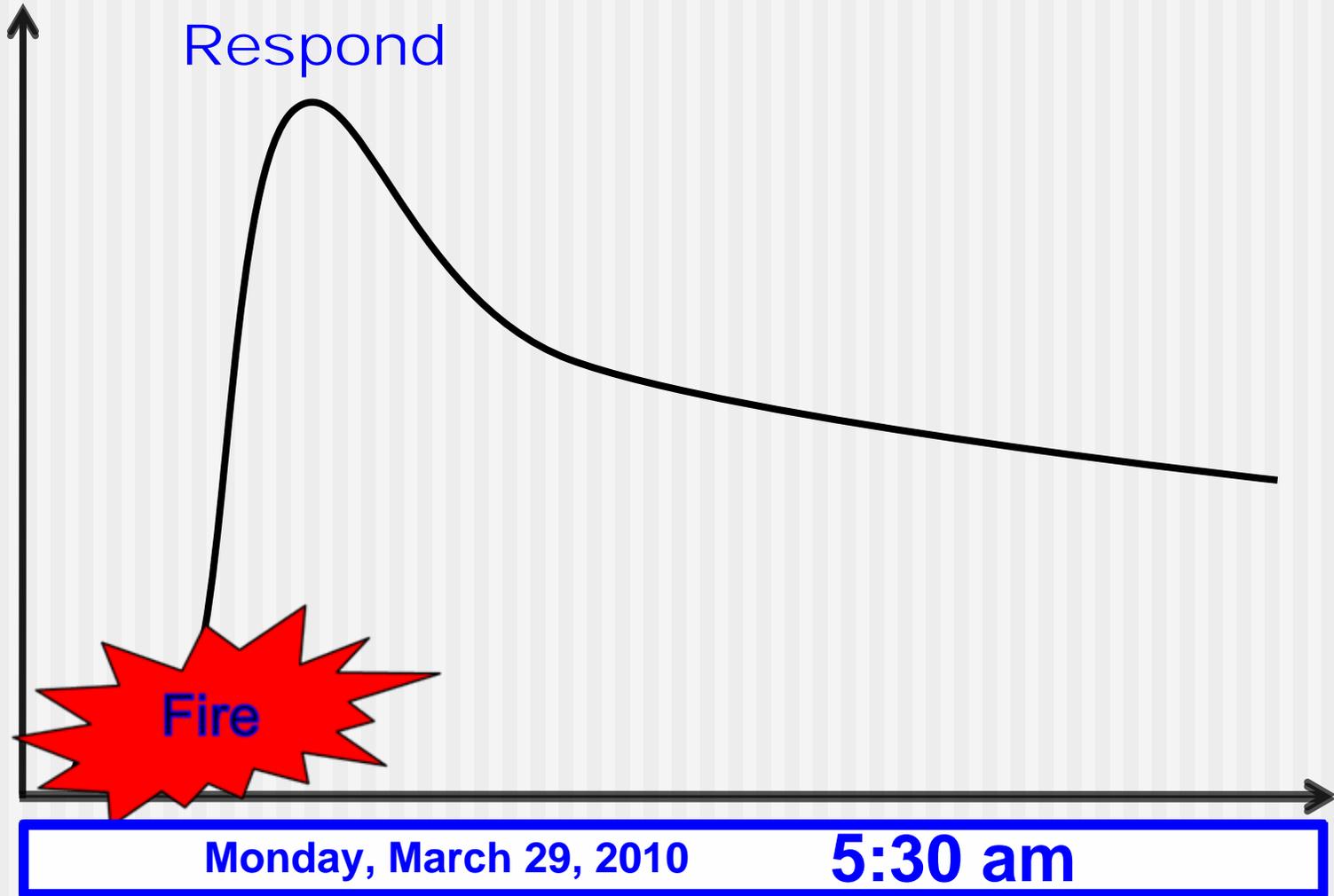


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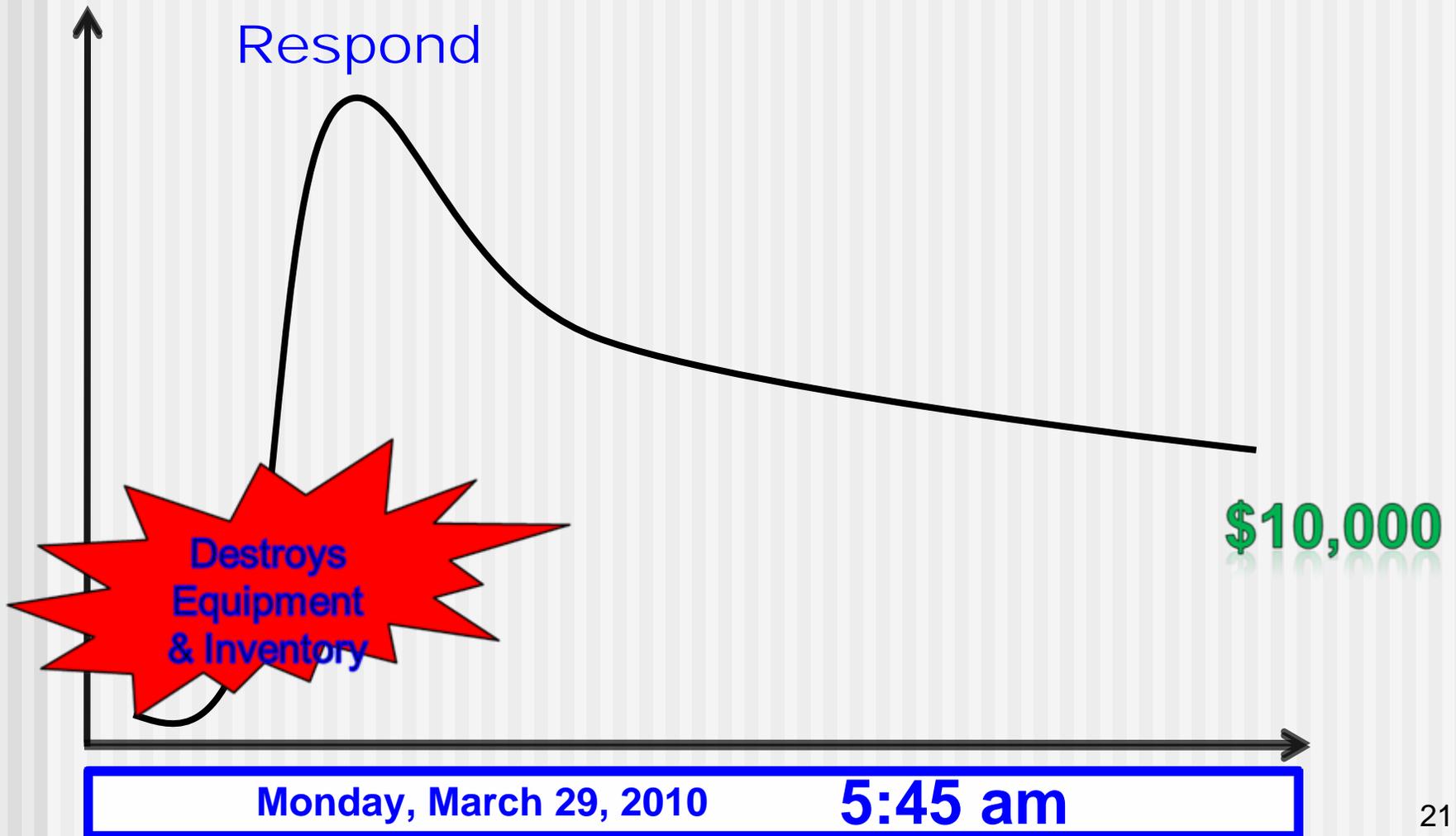
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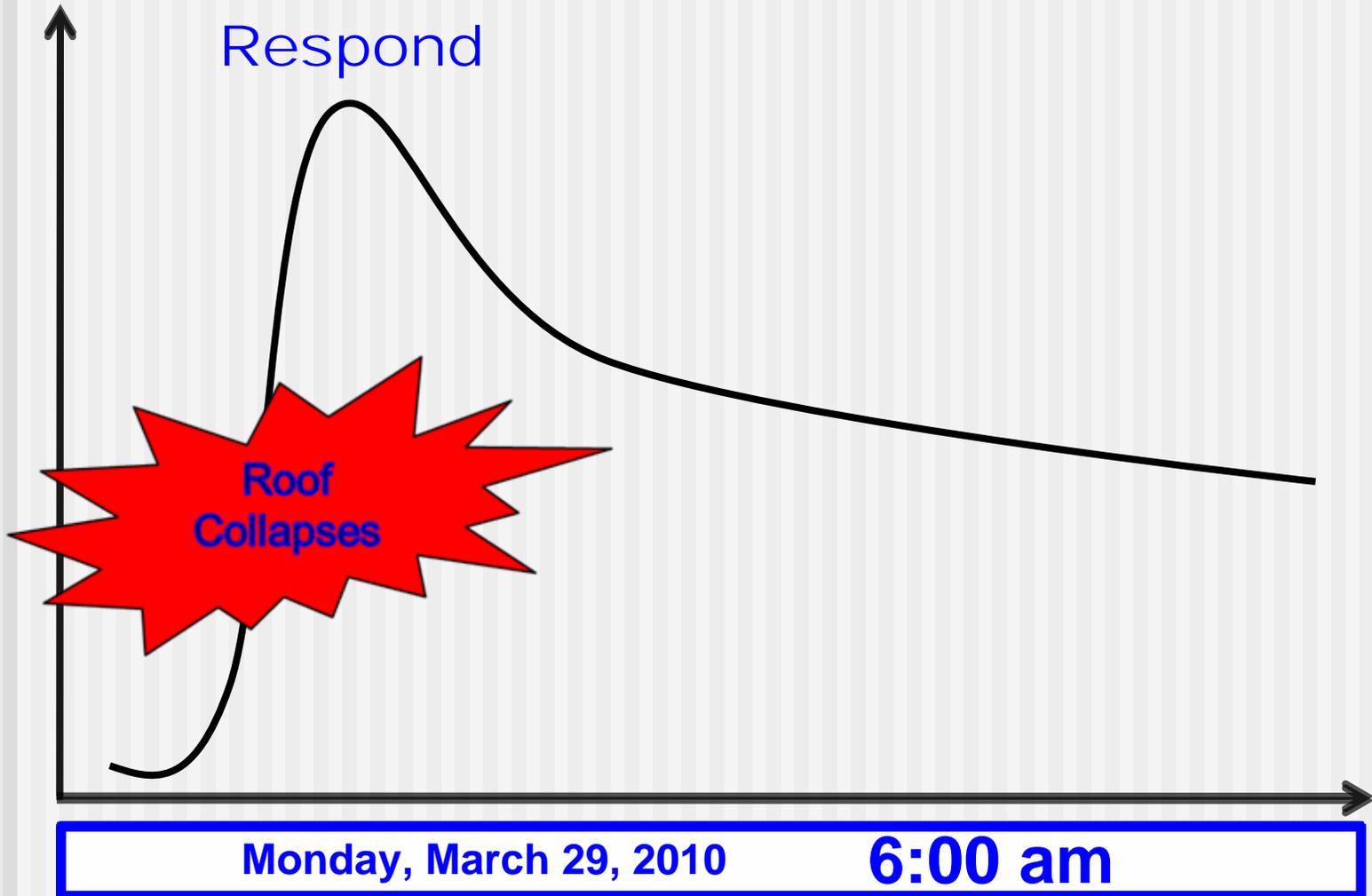
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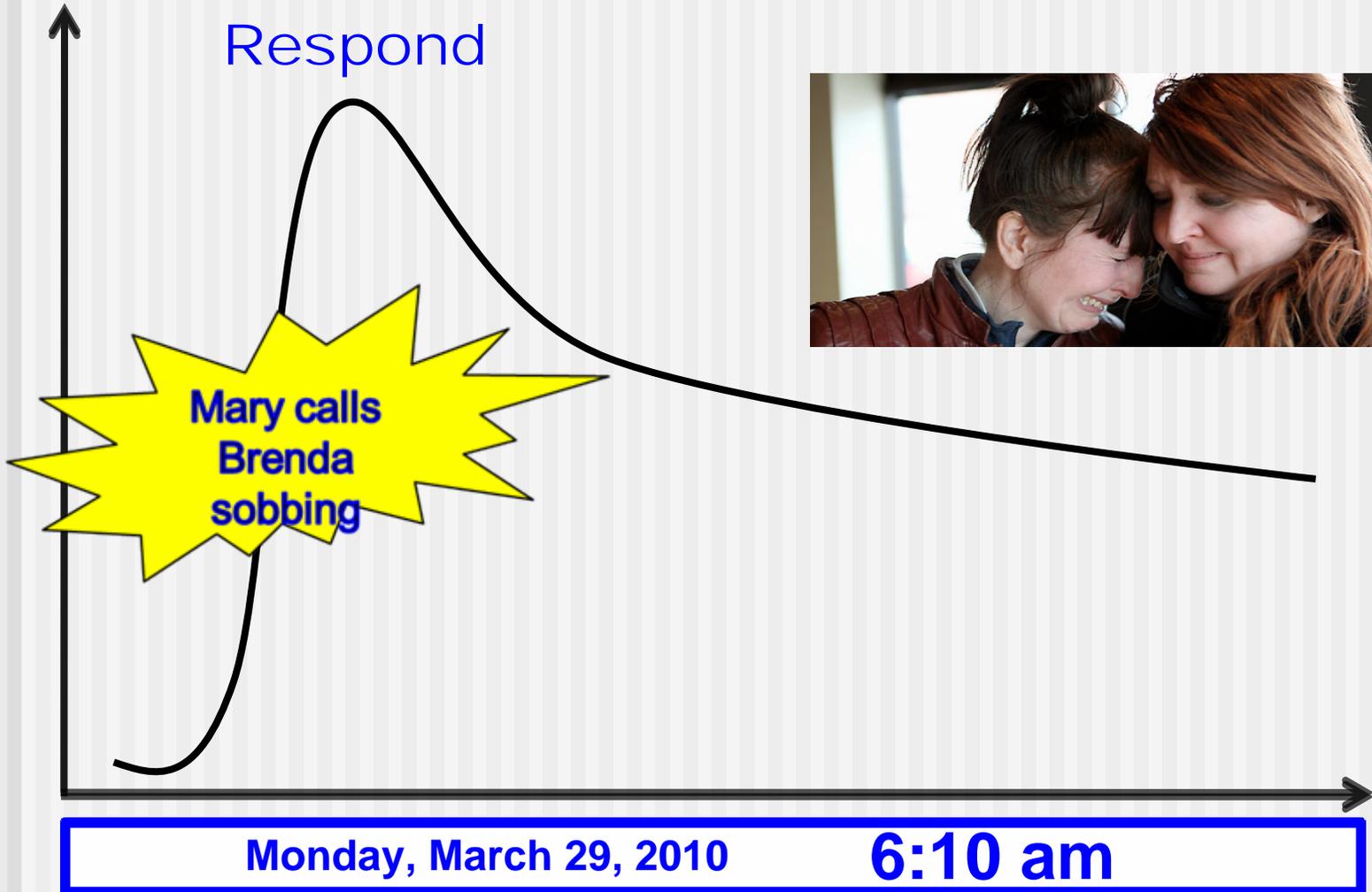
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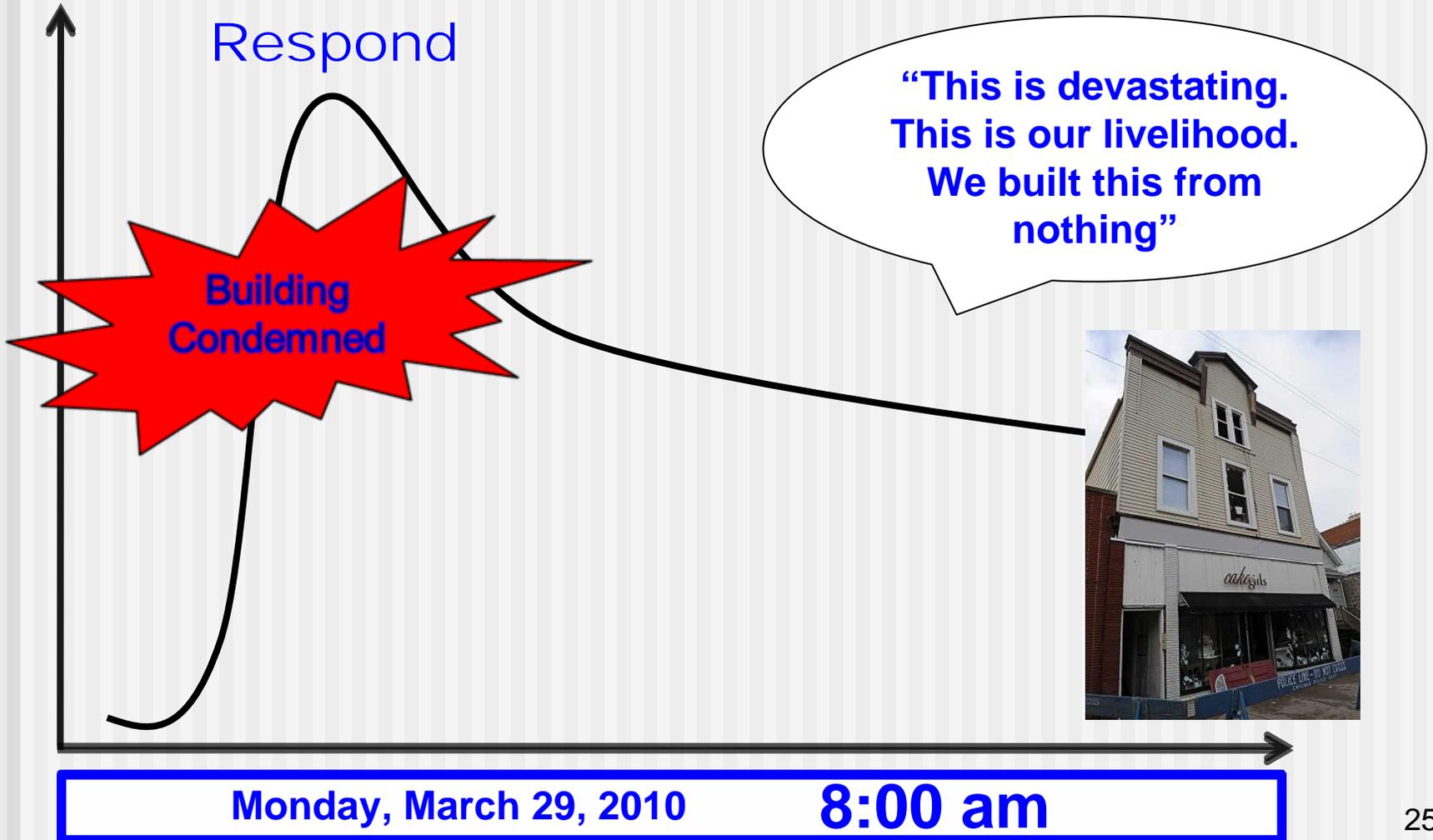
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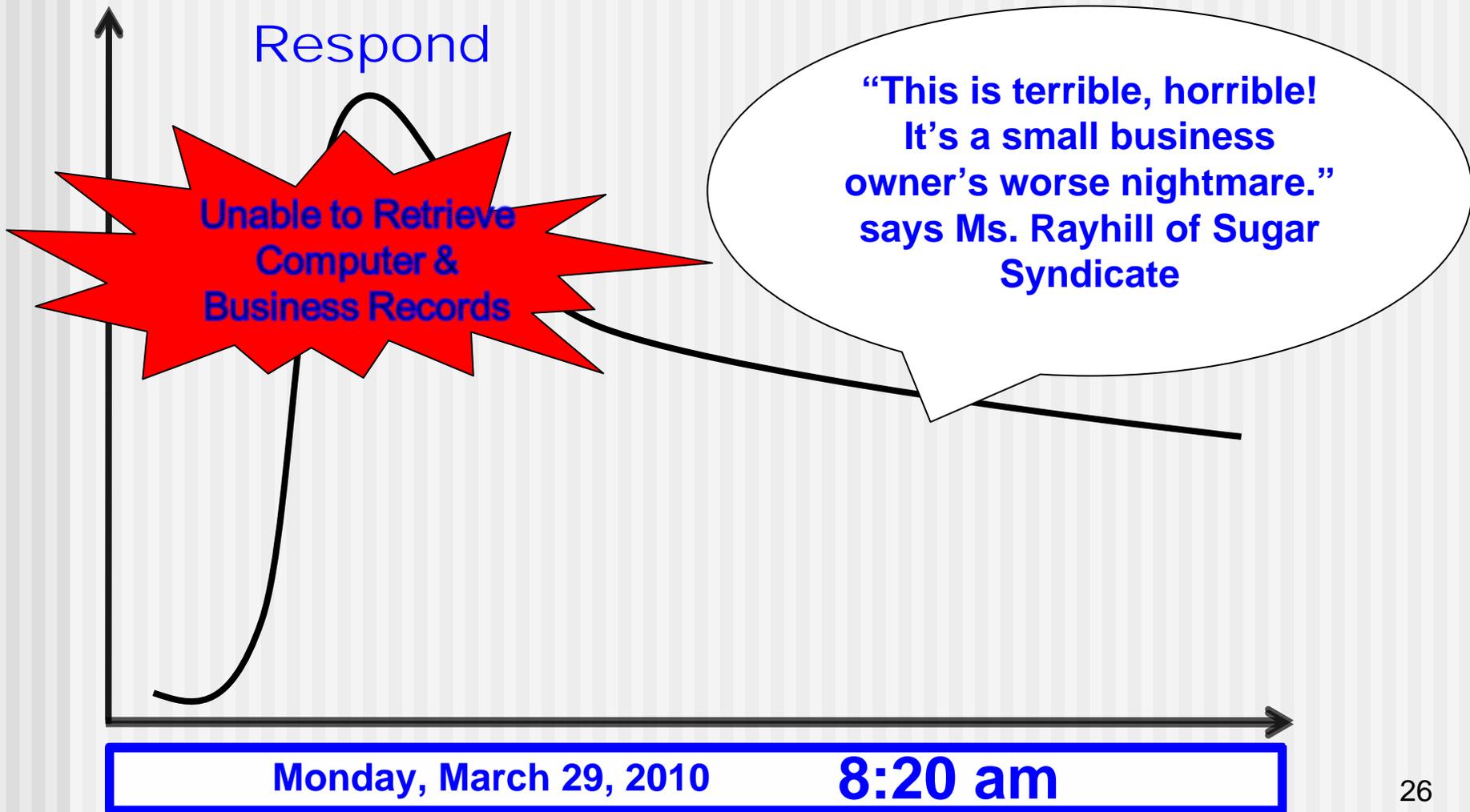
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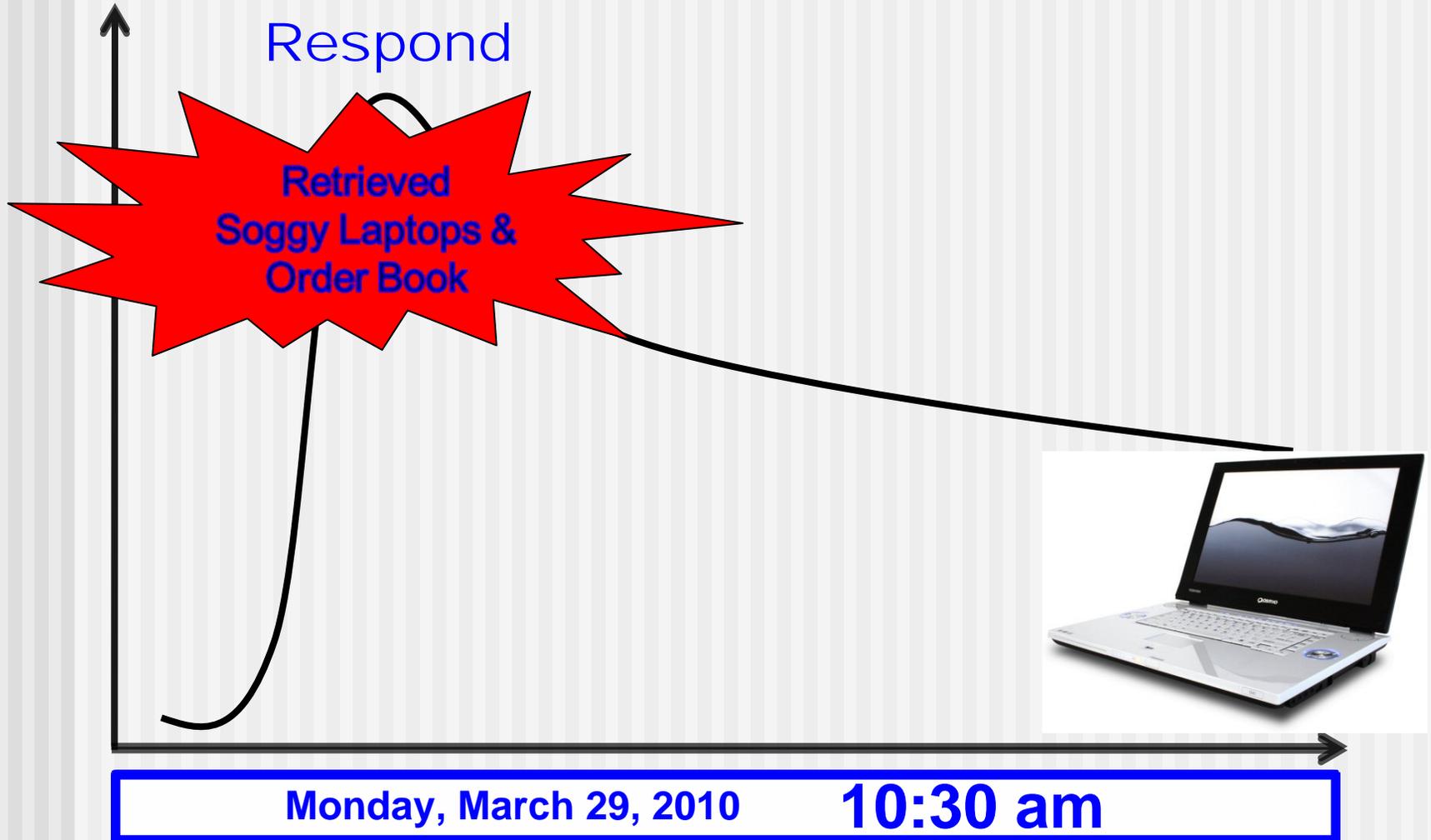
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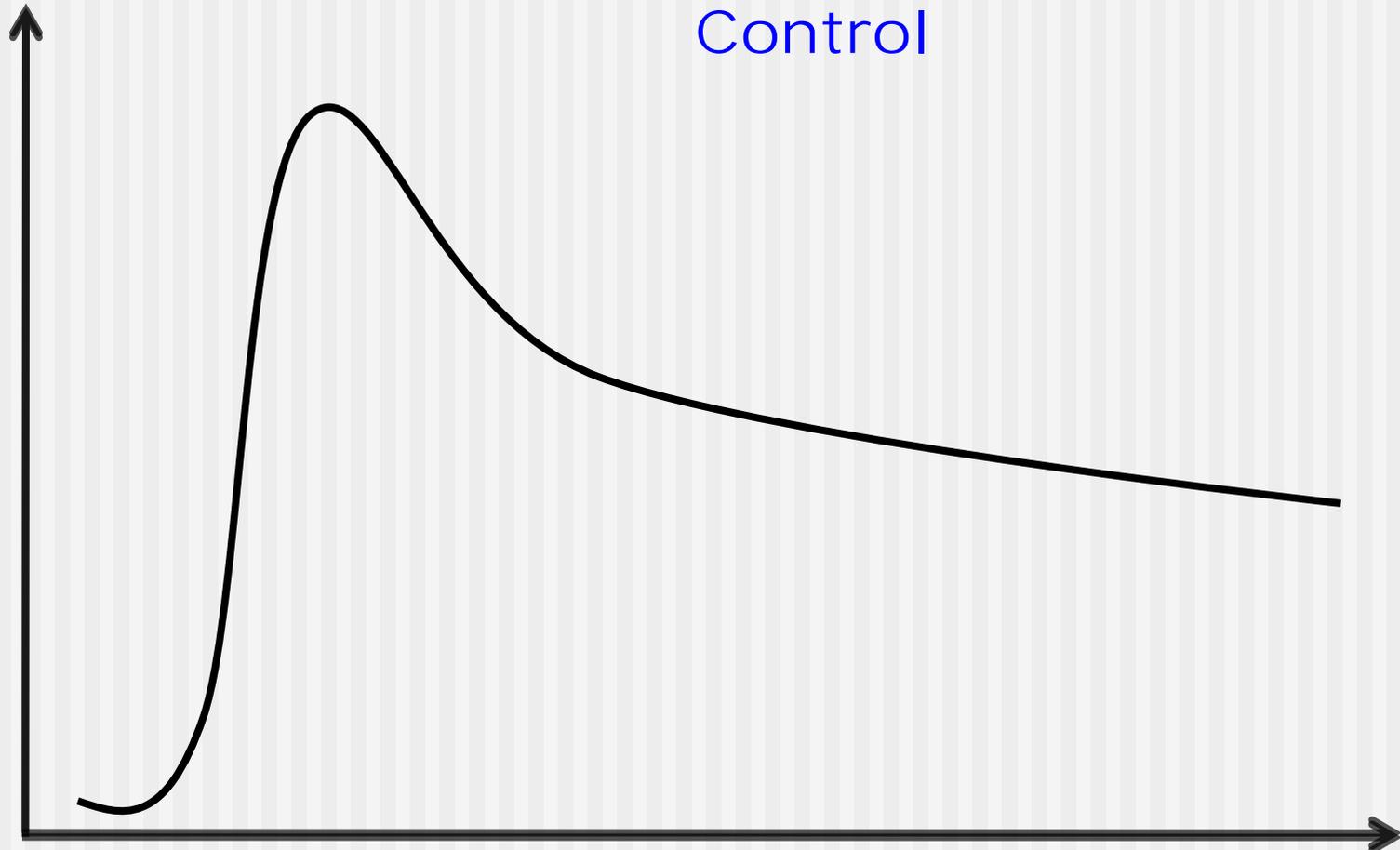
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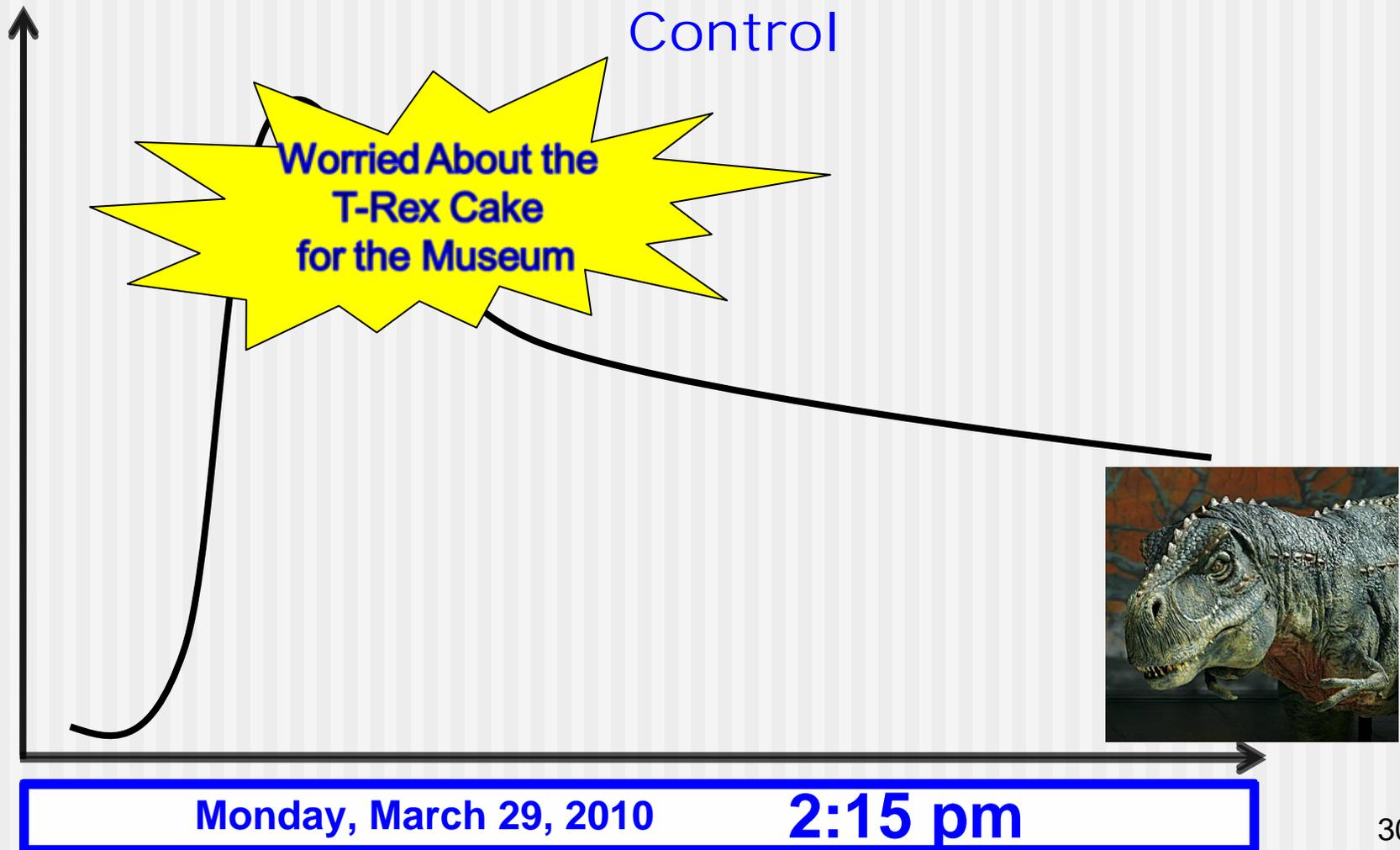
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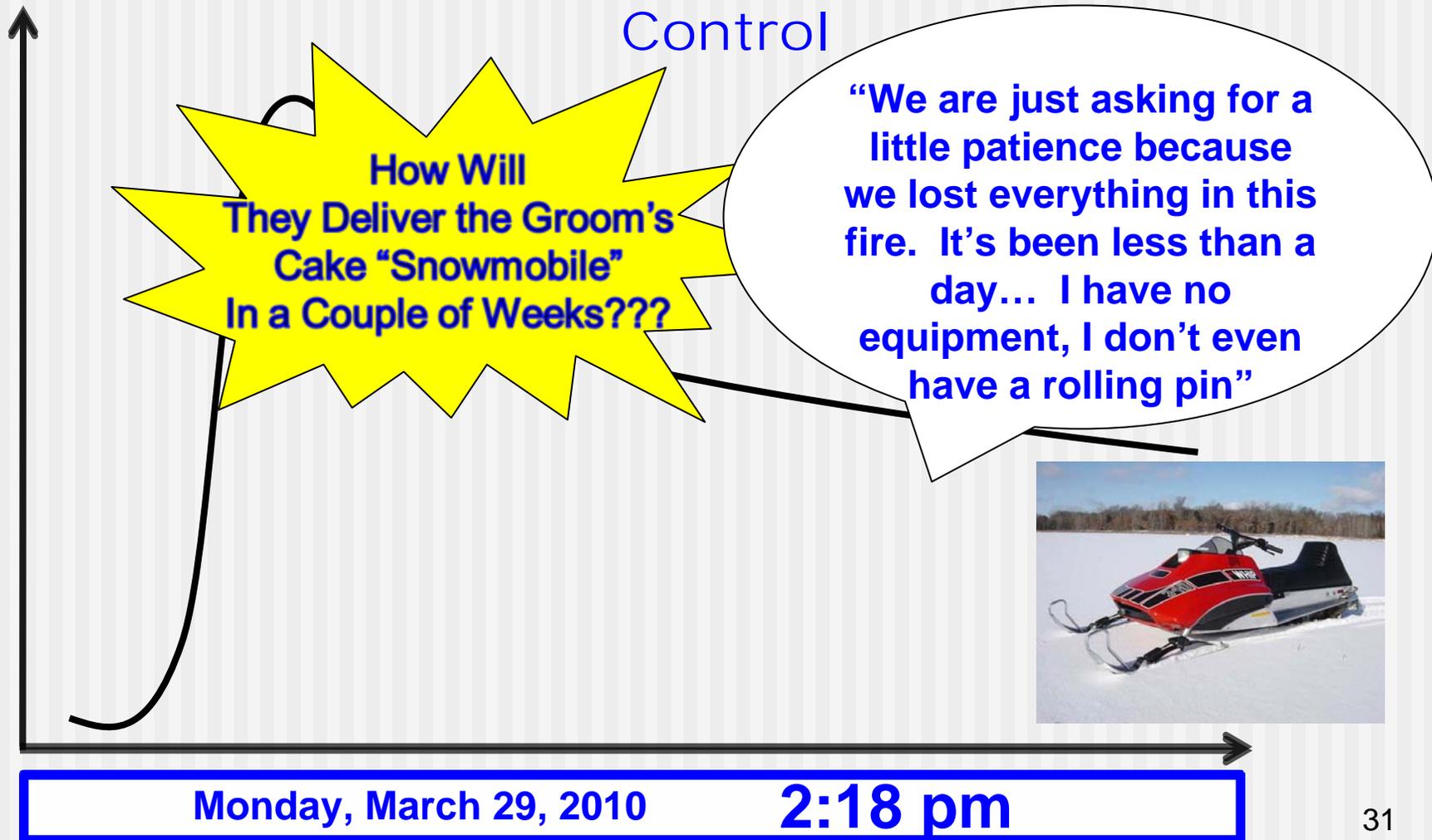
Monday, March 29, 2010



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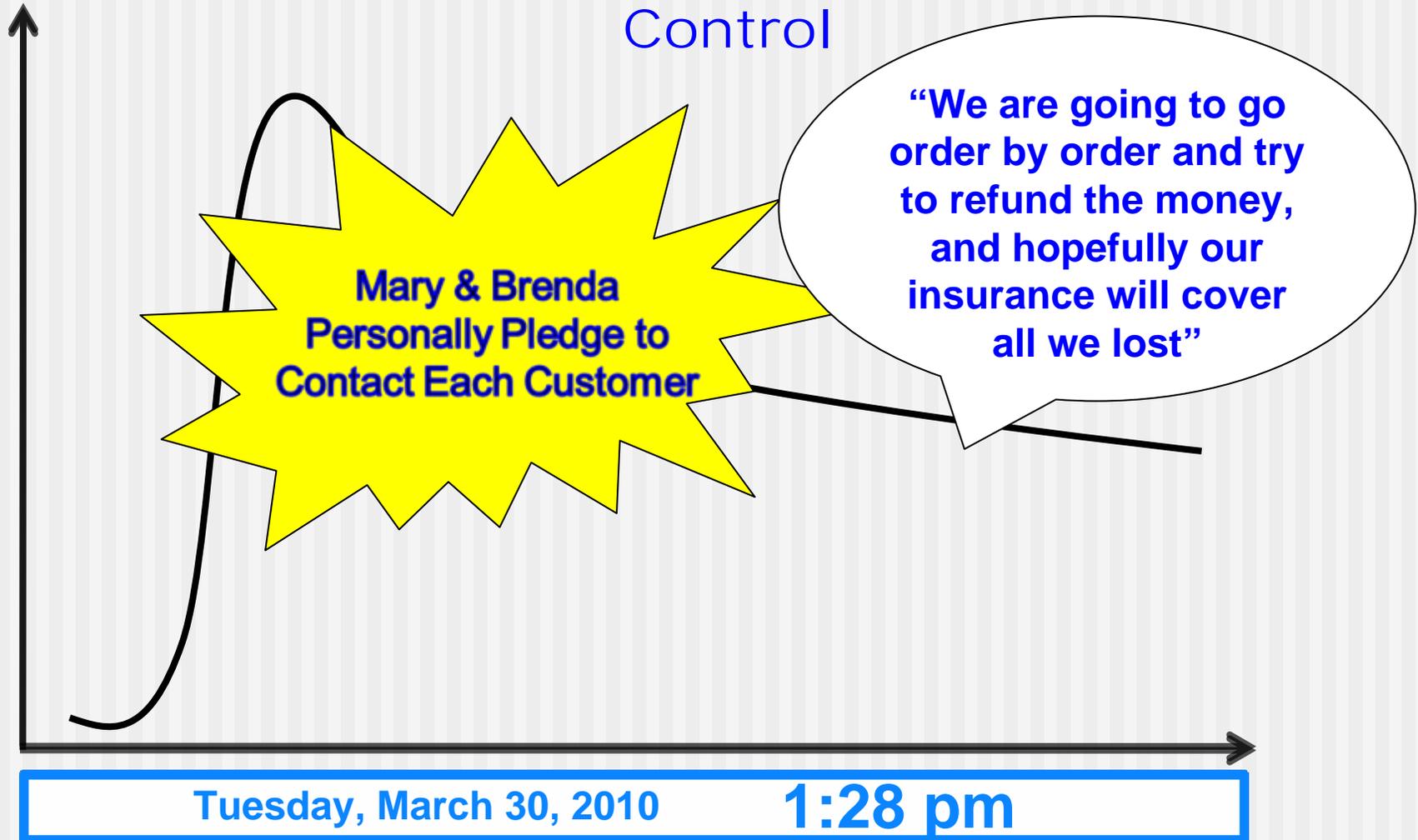


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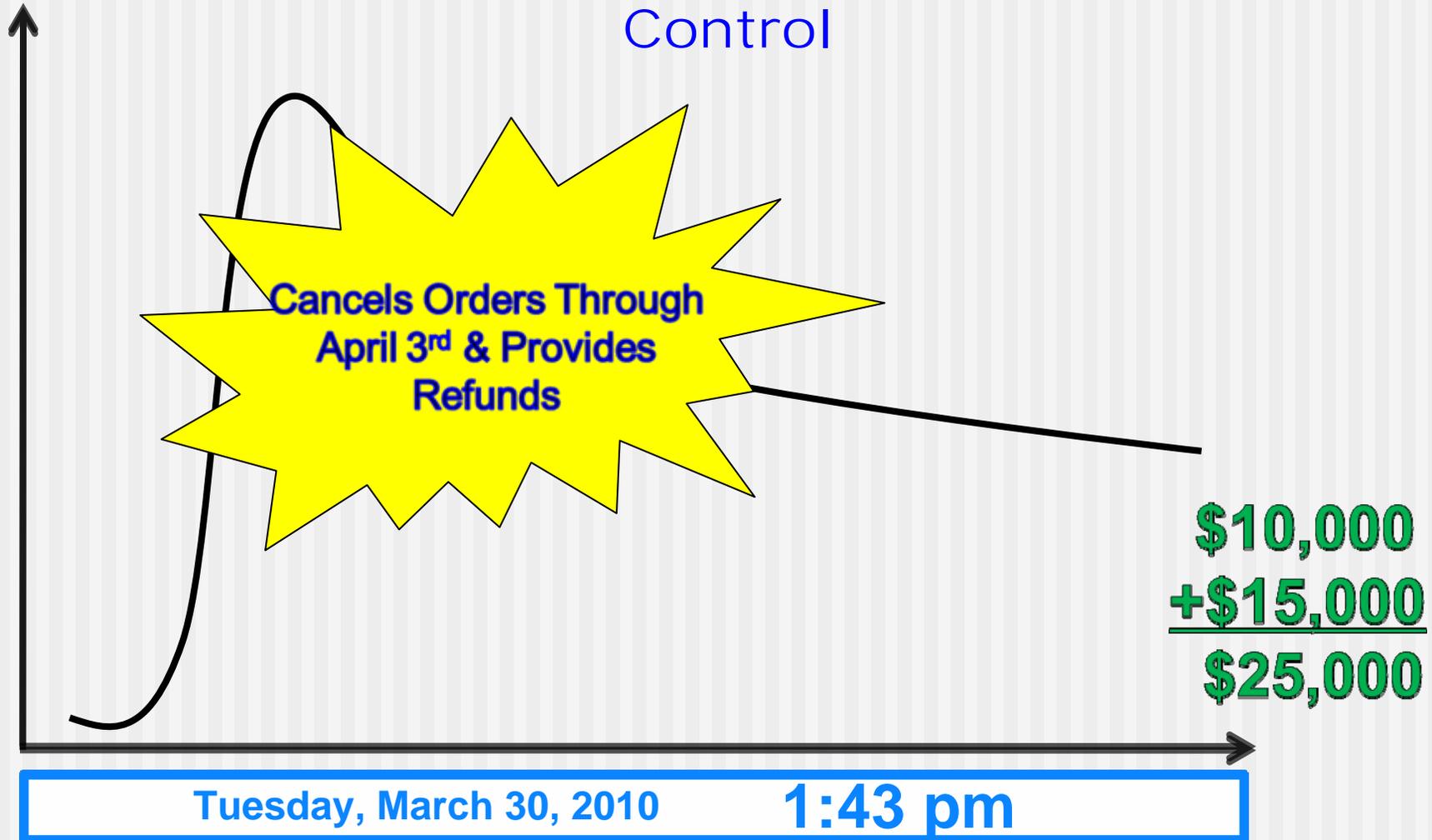




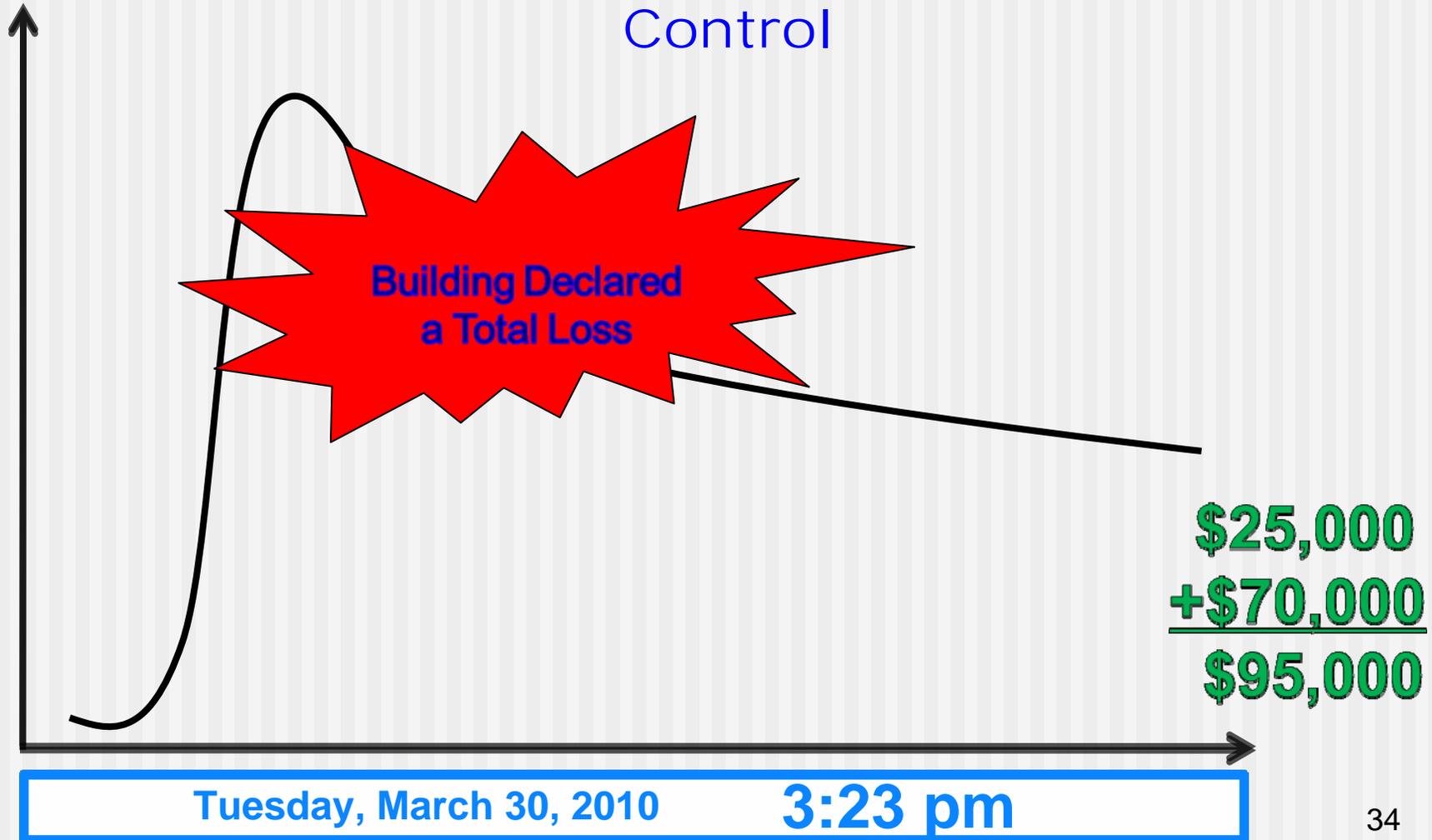
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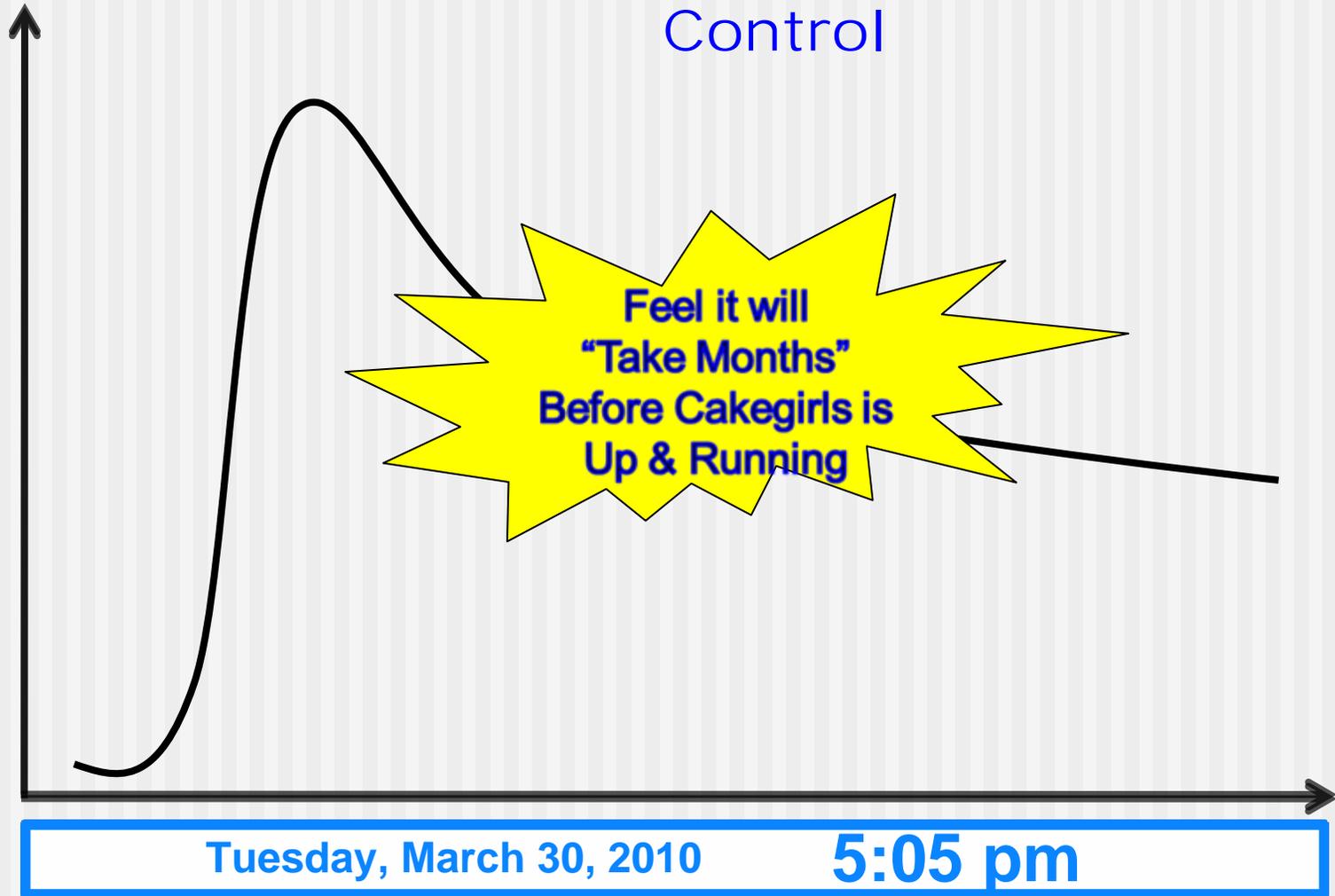
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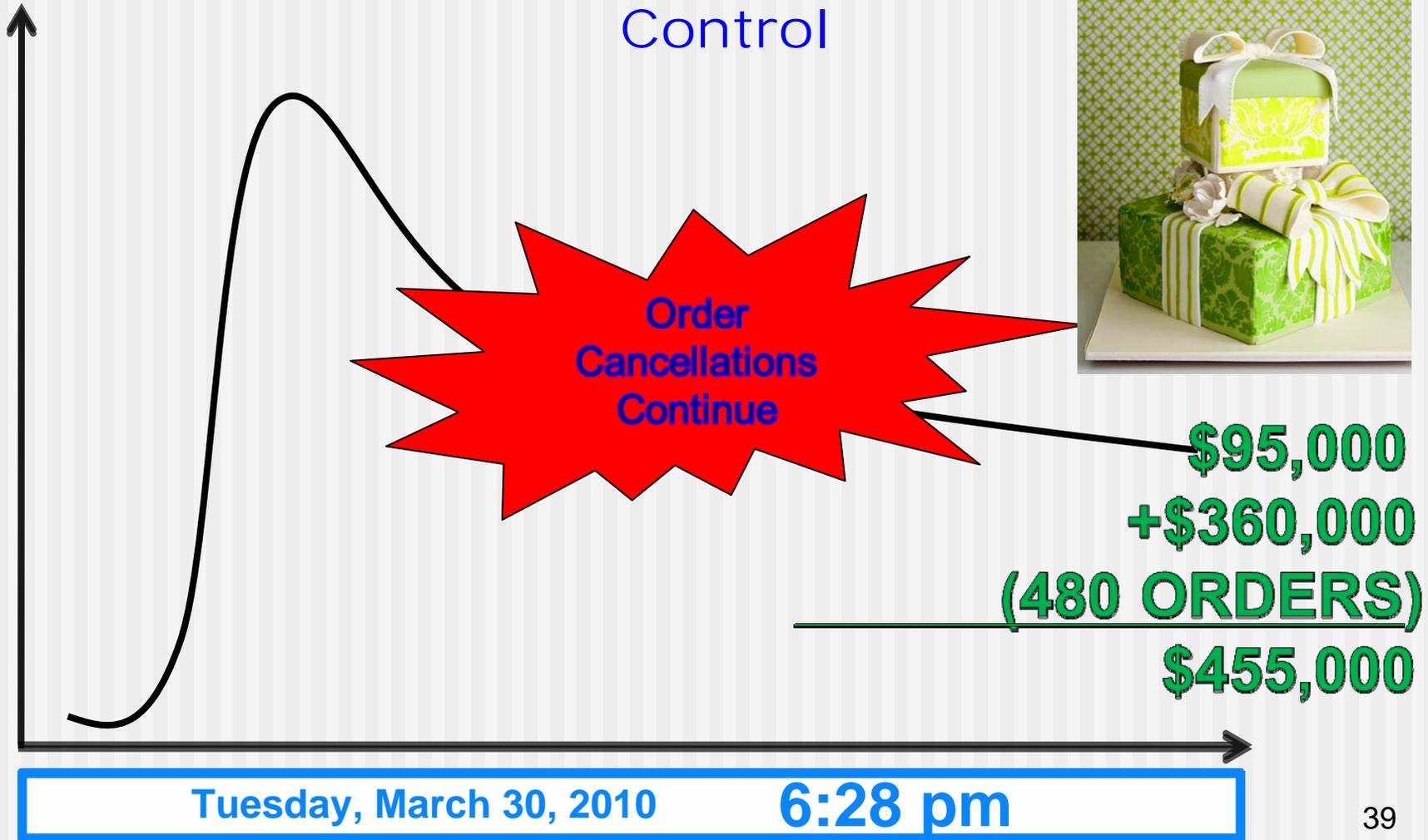
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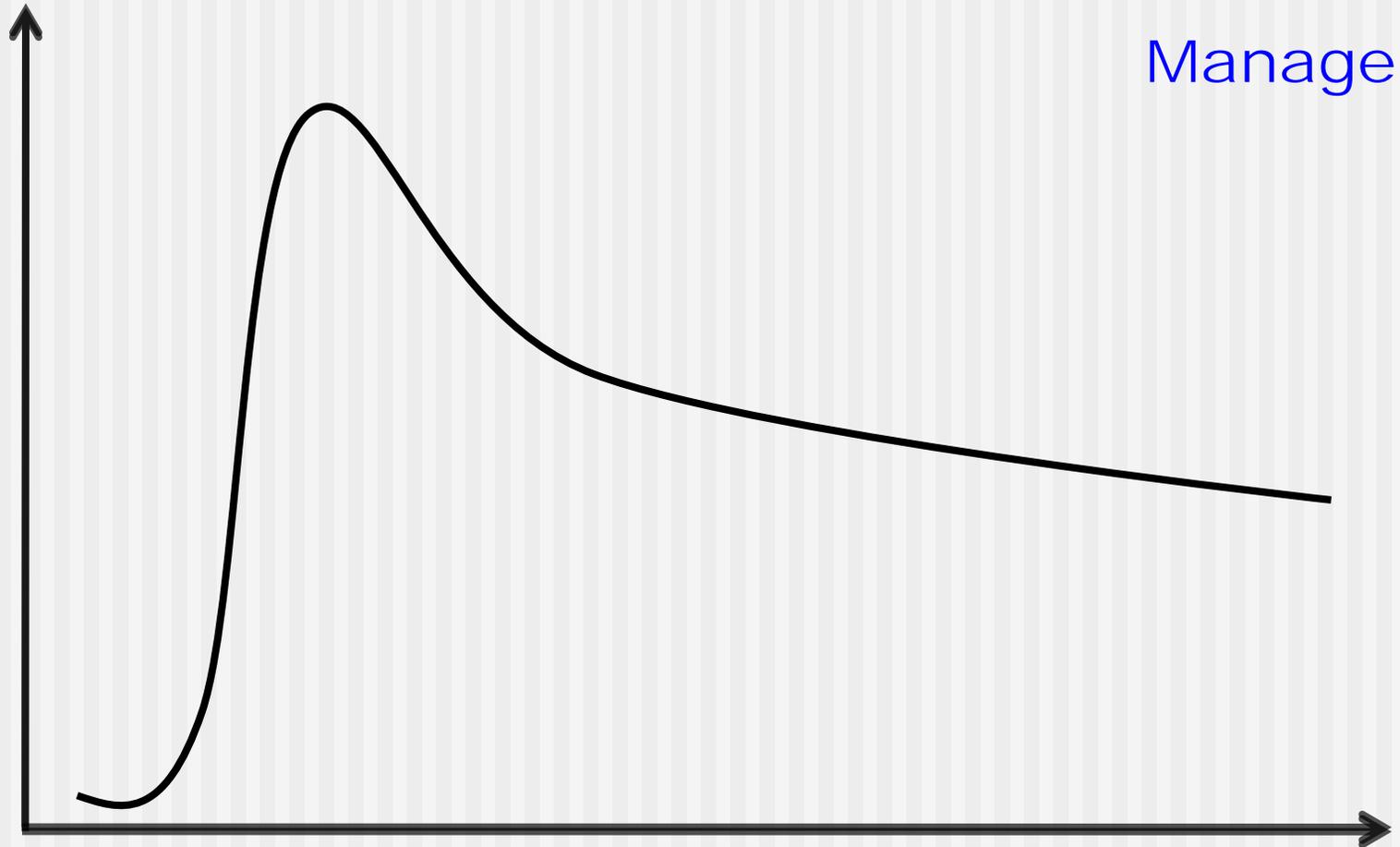


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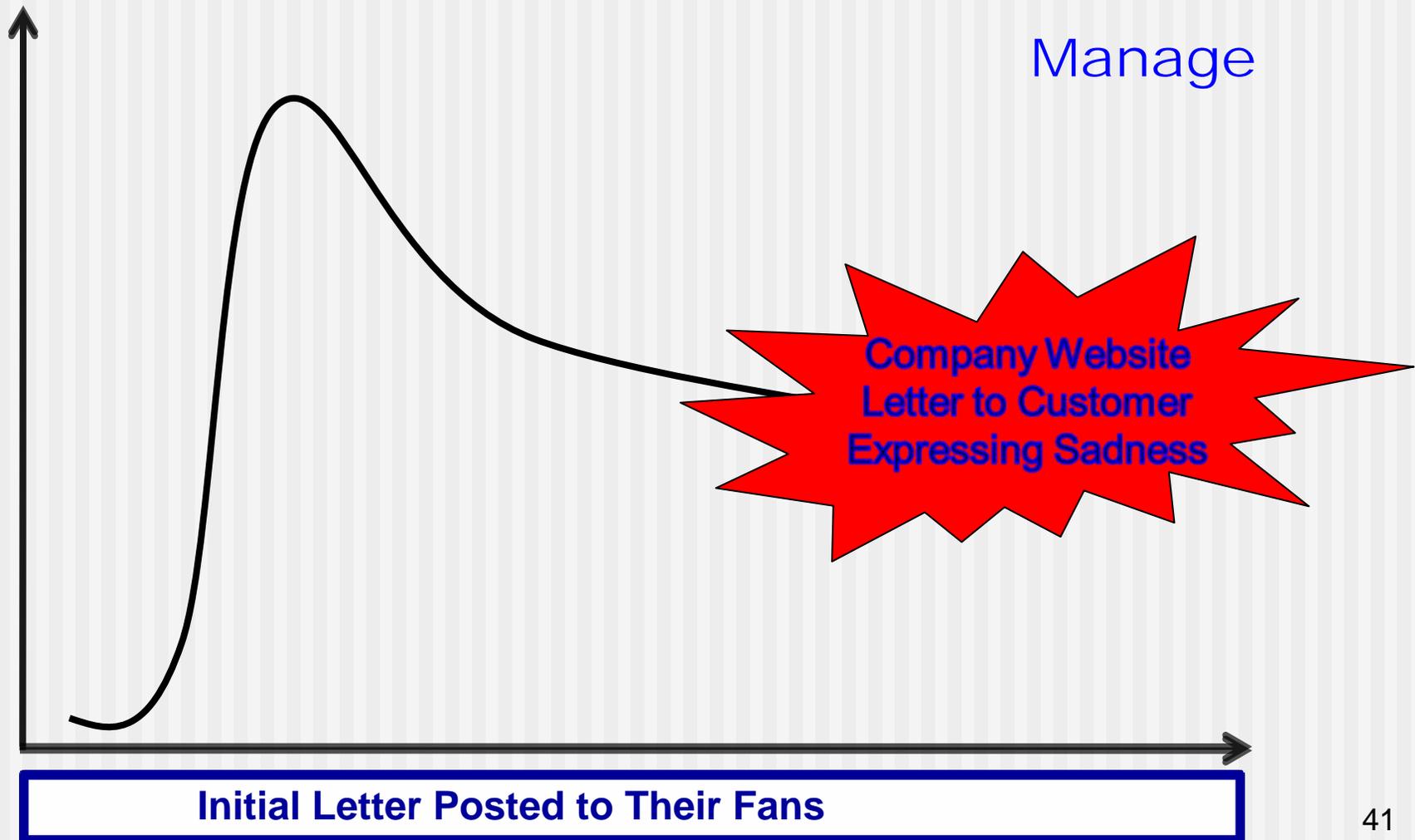


# Their Fire Disaster Story

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# Their Fire Disaster Story



http://www.thecakegirls.com/

File Edit View Favorites Tools Help

cakegirls

Live Search

Home RSS Print Page Safety Tools

March 29, 2010

Dear Cakegirls Clients, Friends and Family,

For those of you who don't know, today was a very sad day for all of us at Cakegirls. Our business fell victim to a fire from an above apartment and, by the time we arrived, my sister and I watched our shop be destroyed. We were unable to salvage anything from the building and it will be demolished sometime tomorrow. Although this is devastating, we are sincerely grateful that everyone escaped from the building safely and without injury.

Brenda and I are truly overwhelmed by the outpouring of emotion and support for our business. Although we cannot respond personally to the hundreds of e-mails and phone calls, we cannot express how much this support has meant to the both of us. Right now, we are just trying to make sense of this tragedy and figure out how to proceed.

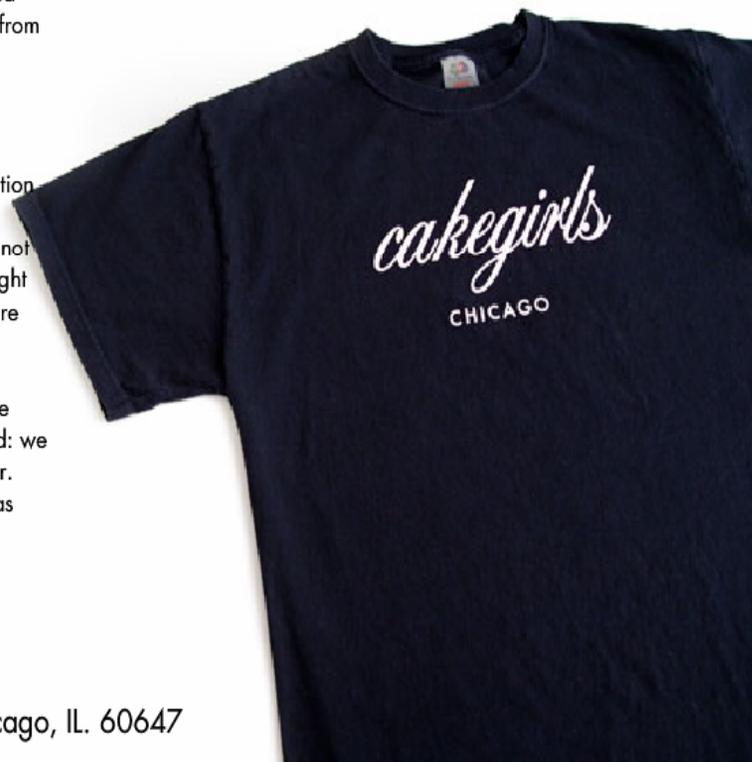
A note to our clients: we are not currently taking any new cake orders for the future. For orders that have already been placed: we will be contacting each of you personally to discuss your order. please be patient with us because, although we are working as quickly as possible, this process may take a week or so.

Sincerely,  
Brenda and Mary Maher

Our Temporary Address:  
Cakegirls, 1658 N. Milwaukee Ave. #172, Chicago, IL. 60647

## WOULD YOU LIKE TO HELP?

Proceeds from the sales of this t-shirt will be used to help our employees bridge the gap while Cakegirls is trying to rebuild. Thank you for your contribution. [Click here to get one.](#)





# Bakery is a Total Loss

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<http://www.cnn.com/video/data/2.0/video/us/2010/03/29/dnt.il.bakery.fire.wgn.html>

August 3, 2010

Four months have passed since the fateful fire that destroyed the Cakegirls cake shop and many people have understandably been asking for updates. The insurance process has been more grueling than expected and unfortunately, we foresee several more months before everything is sorted out. We are NOT currently making cakes or taking ANY cake orders, but are instead spending much needed time with our families and focusing on the future. We are eternally grateful to all of the people who reached out to us after the fire and although tragic, the fire has truly been a lesson learned in human kindness and generosity.

T shirts still available.  
[Click here](#)



Amazing Wedding Cakes Season 3 premiere!  
Sunday, August 29 at 10pm | 9c  
[Click here for a sneak peek](#)



Our temporary mailing address:  
Cakegirls, 1658 N. Milwaukee Ave. #172, Chicago, IL. 60647

**As of Today – They are still NOT making cakes or taking ANY orders**

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**WHAT COULD HAVE THEY  
DONE DIFFERENTLY?**

# If Only They Had A Business Continuity Plan (BCP)

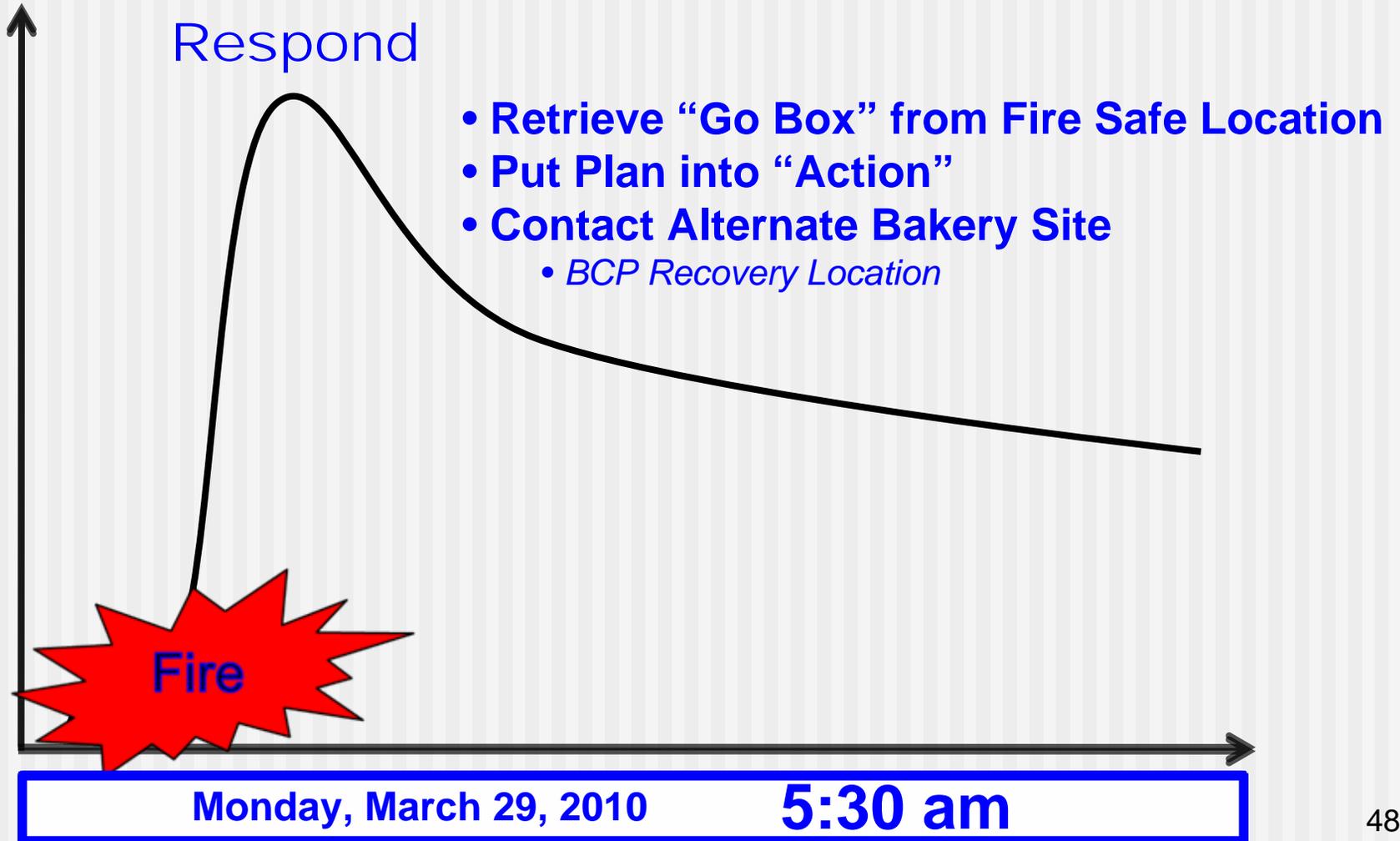


# What is a BCP?

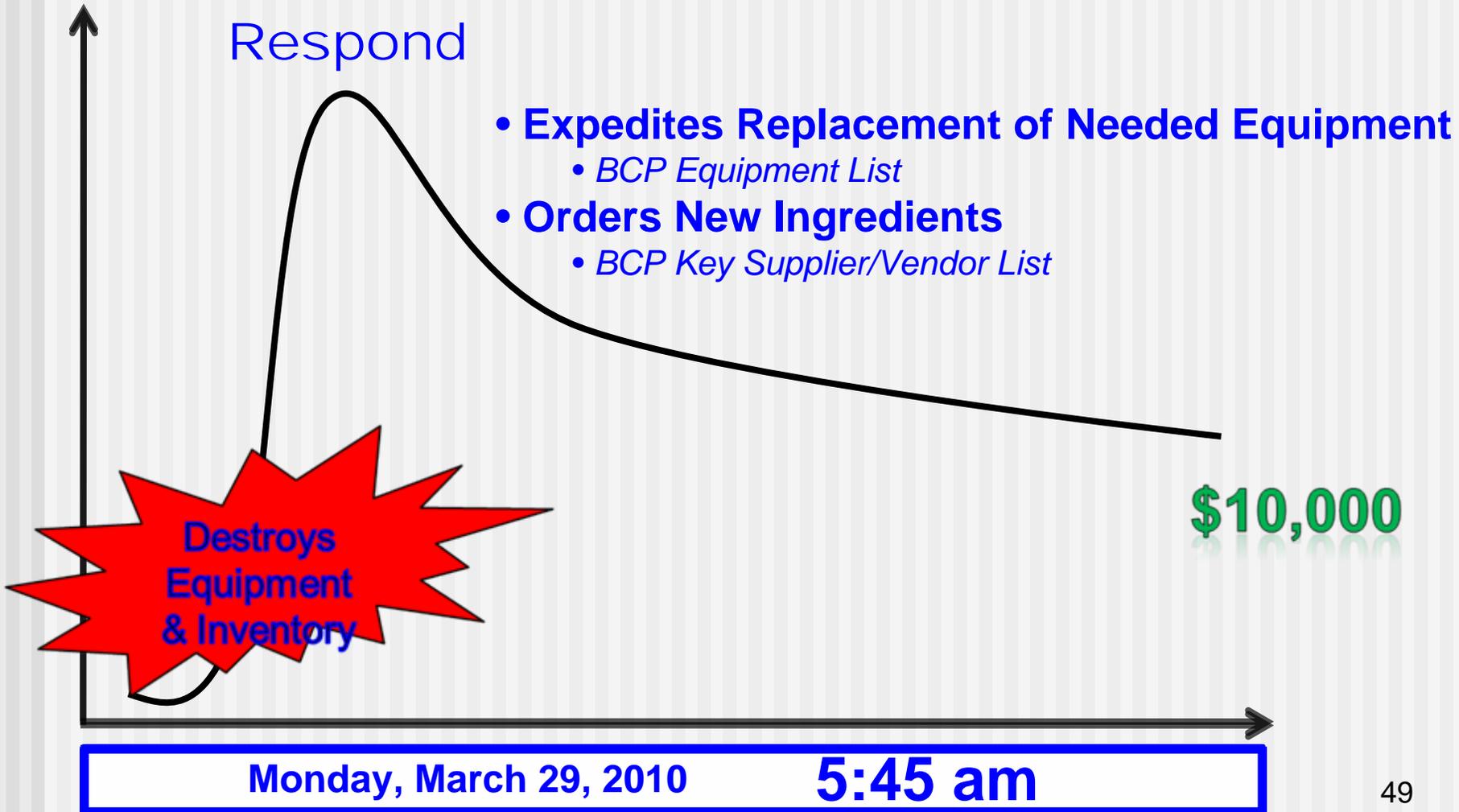
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A plan that details how they will respond, control and manage their business in the case of an unforeseen event

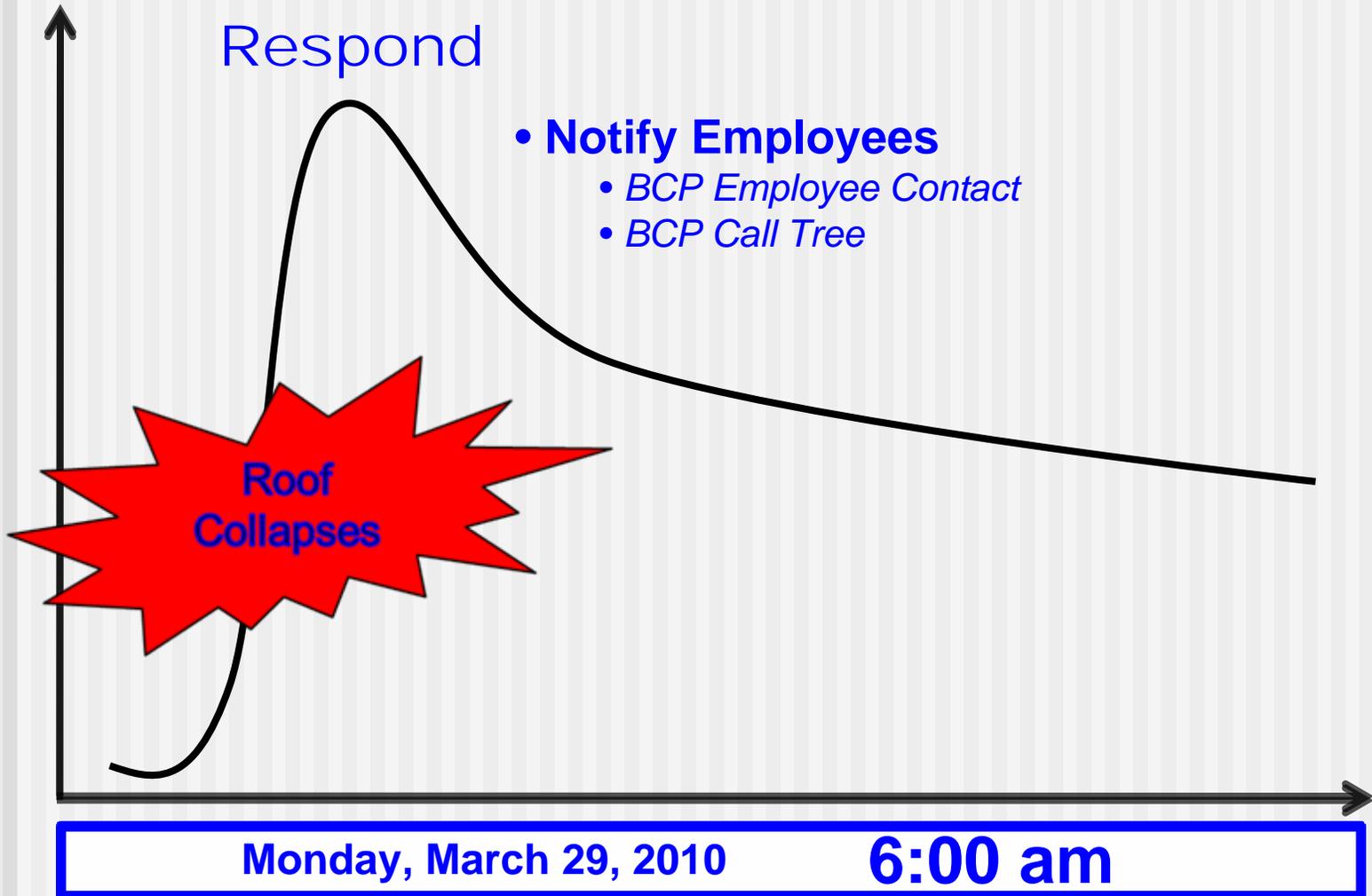
# Fire Disaster Minimized



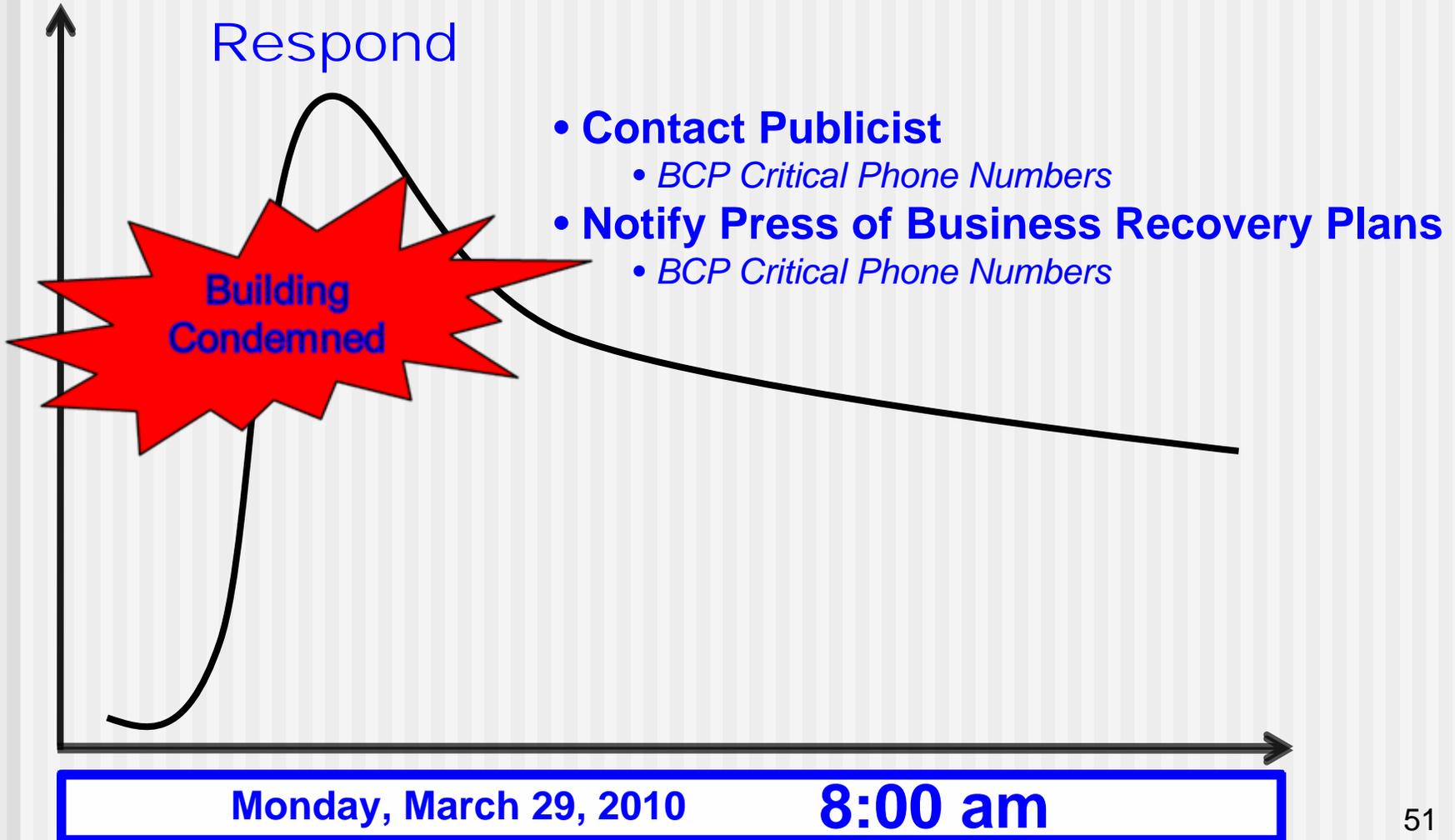
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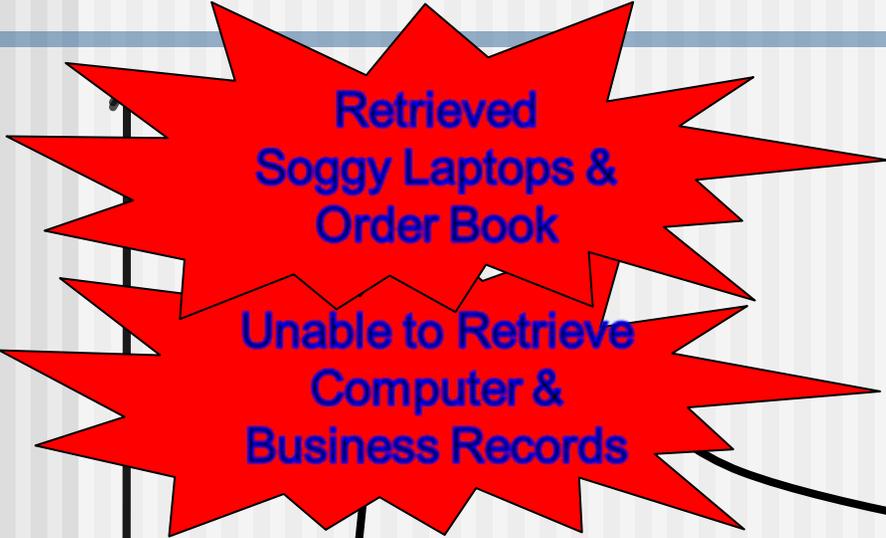
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# Fire Disaster Minimized



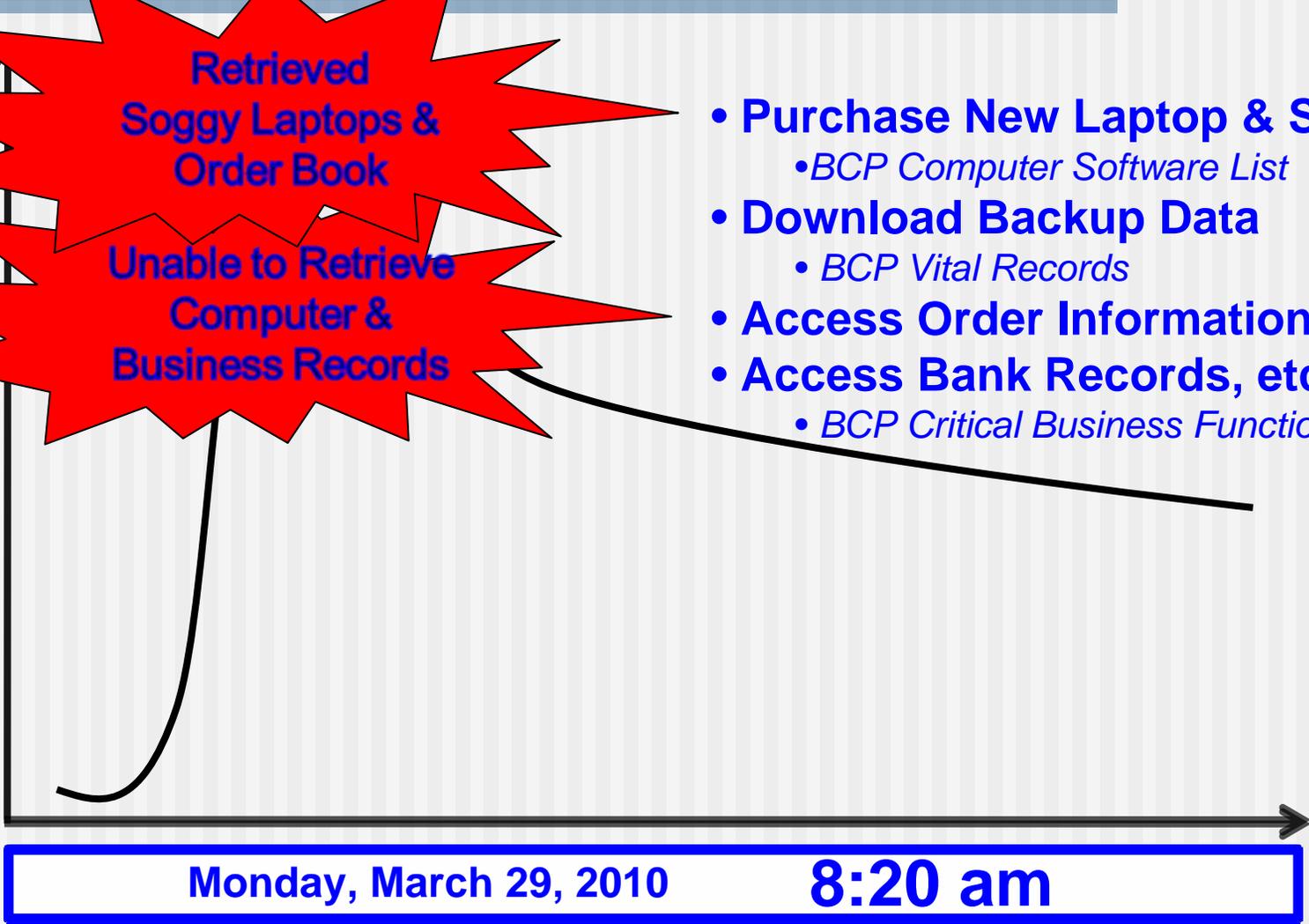
# Fire Disaster Minimized



Retrieved  
Soggy Laptops &  
Order Book

Unable to Retrieve  
Computer &  
Business Records

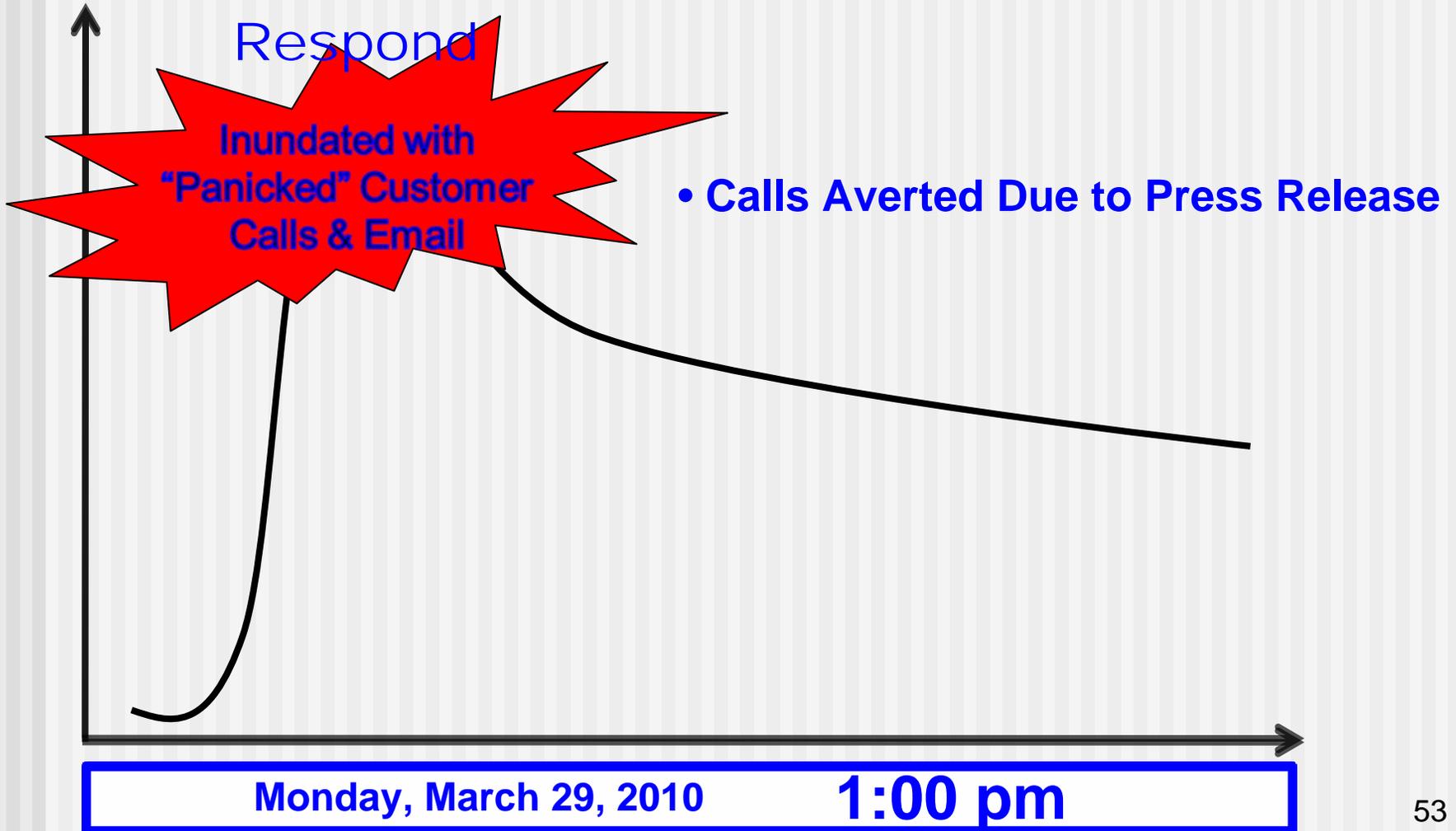
- **Purchase New Laptop & Software**
  - *BCP Computer Software List*
- **Download Backup Data**
  - *BCP Vital Records*
- **Access Order Information &**
- **Access Bank Records, etc.**
  - *BCP Critical Business Functions*



Monday, March 29, 2010

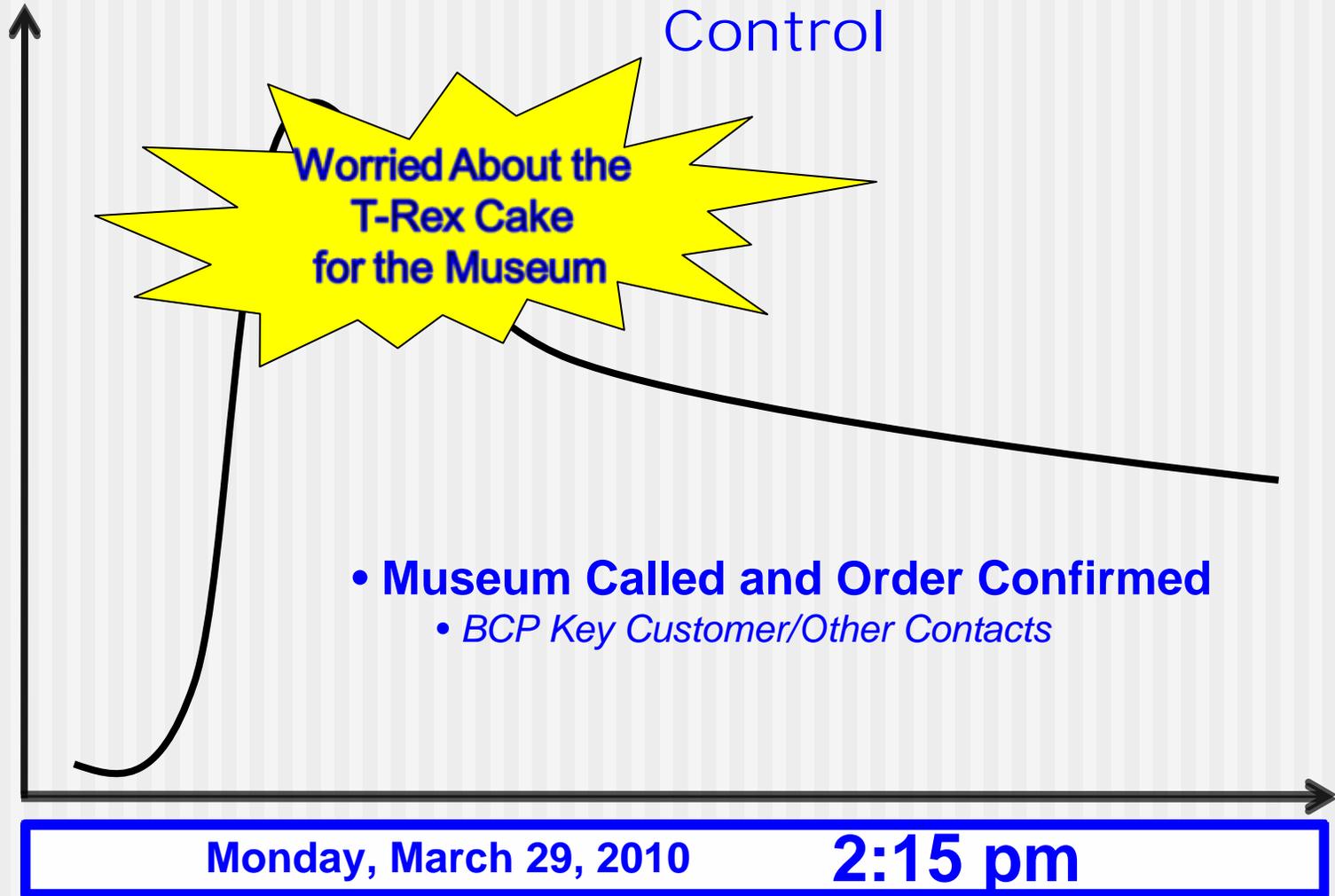
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# Fire Disaster Minimized



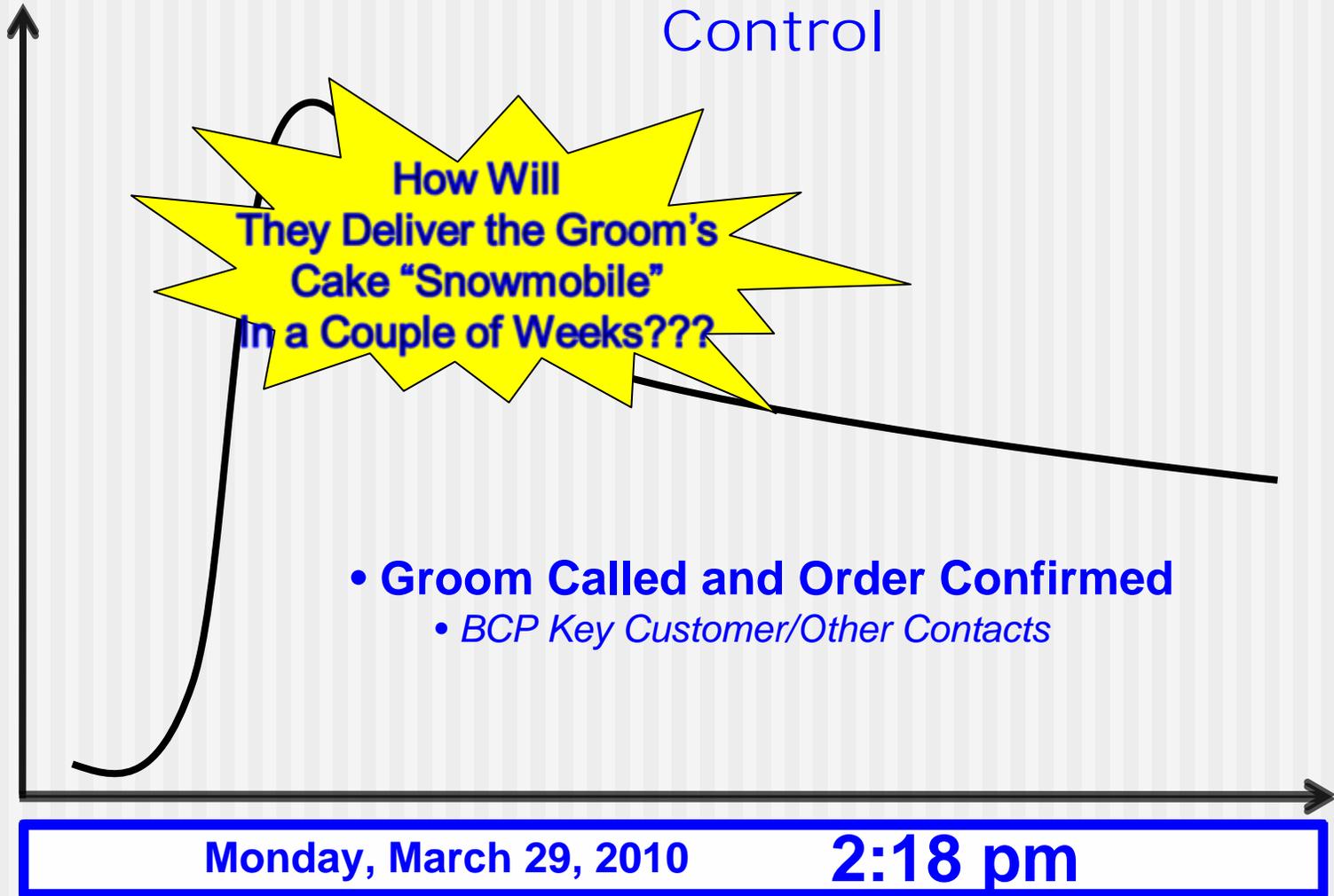


# Fire Disaster Minimized





# Fire Disaster Minimized

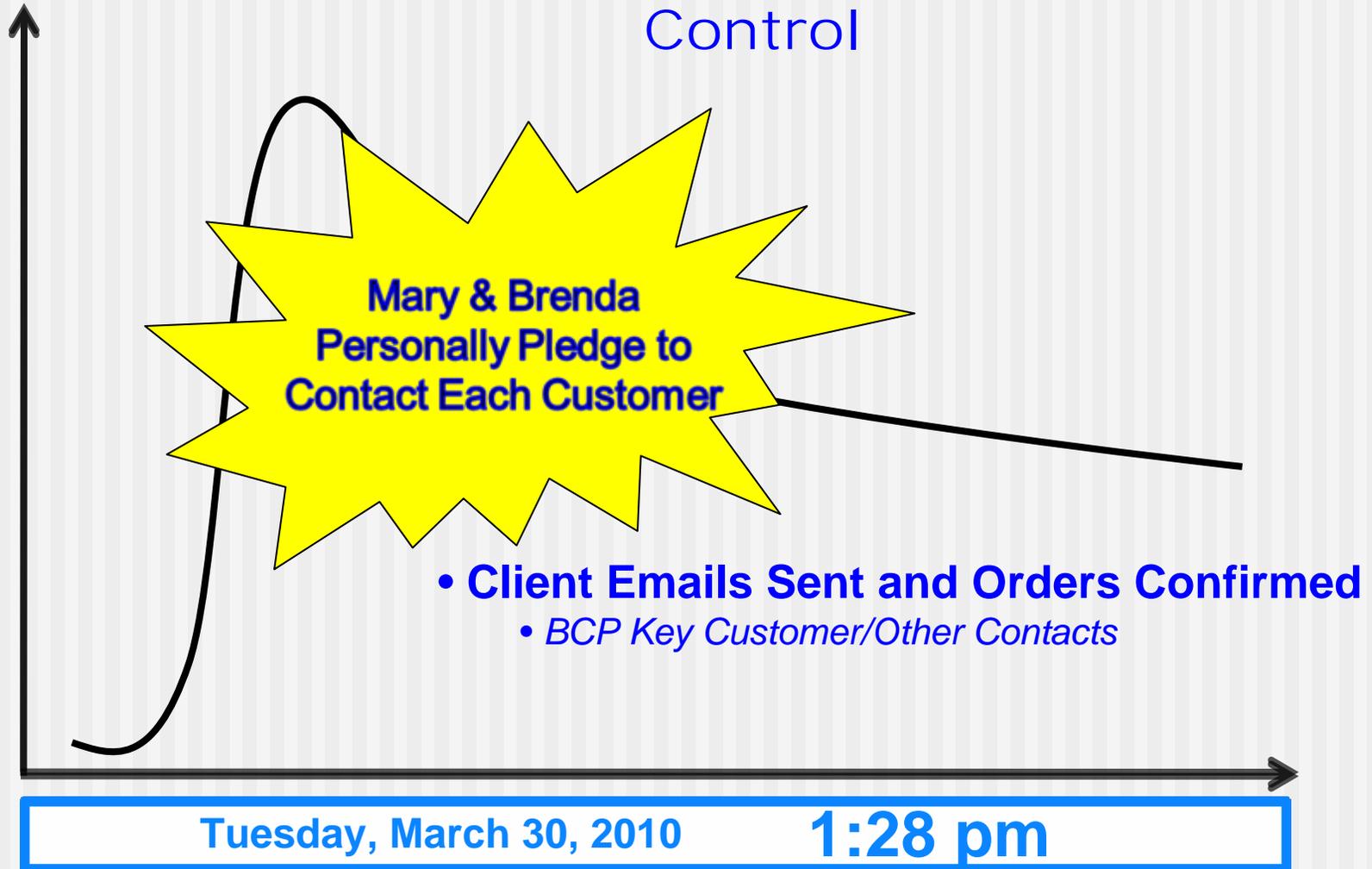


# Fire Disaster Minimized





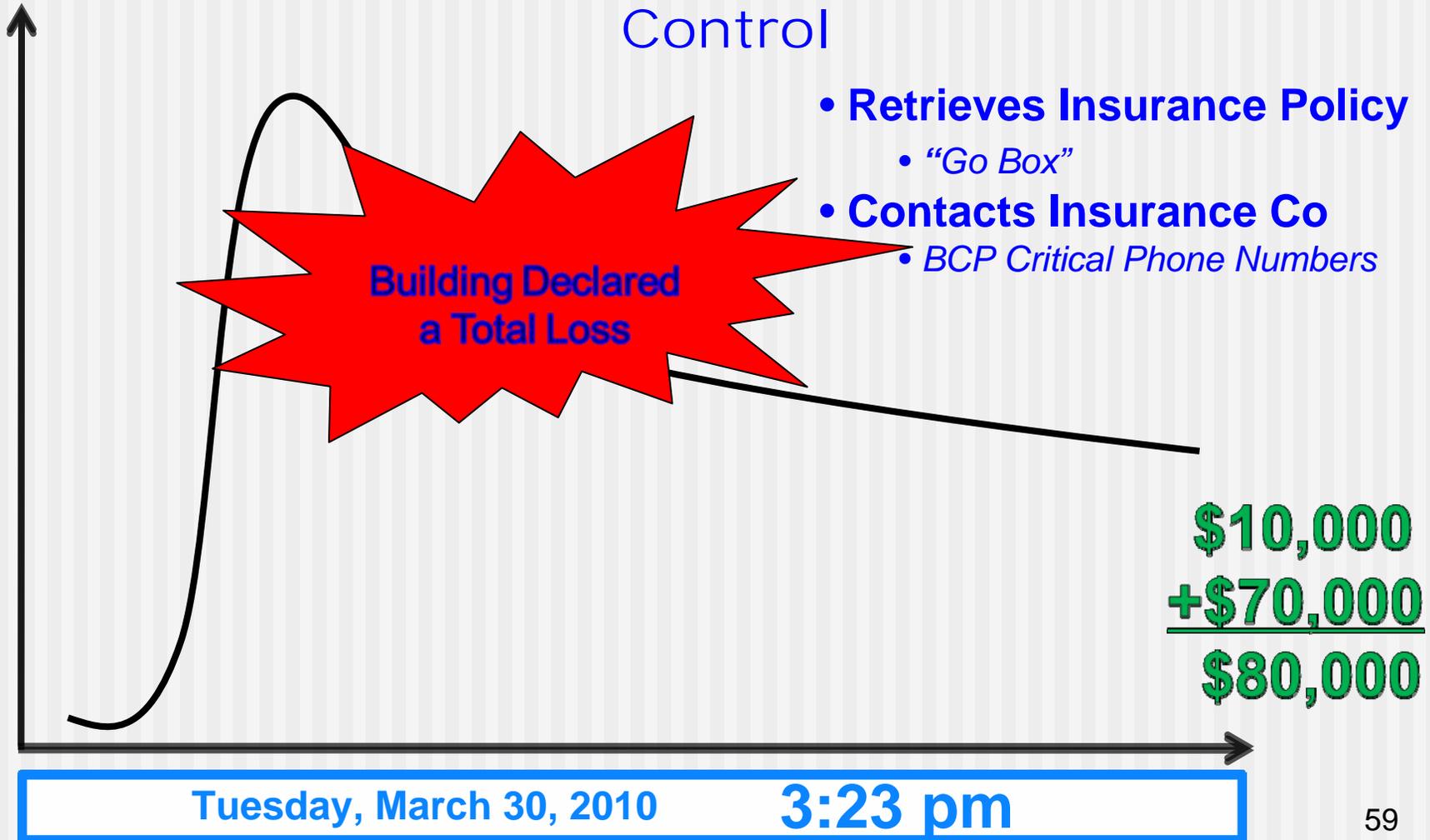
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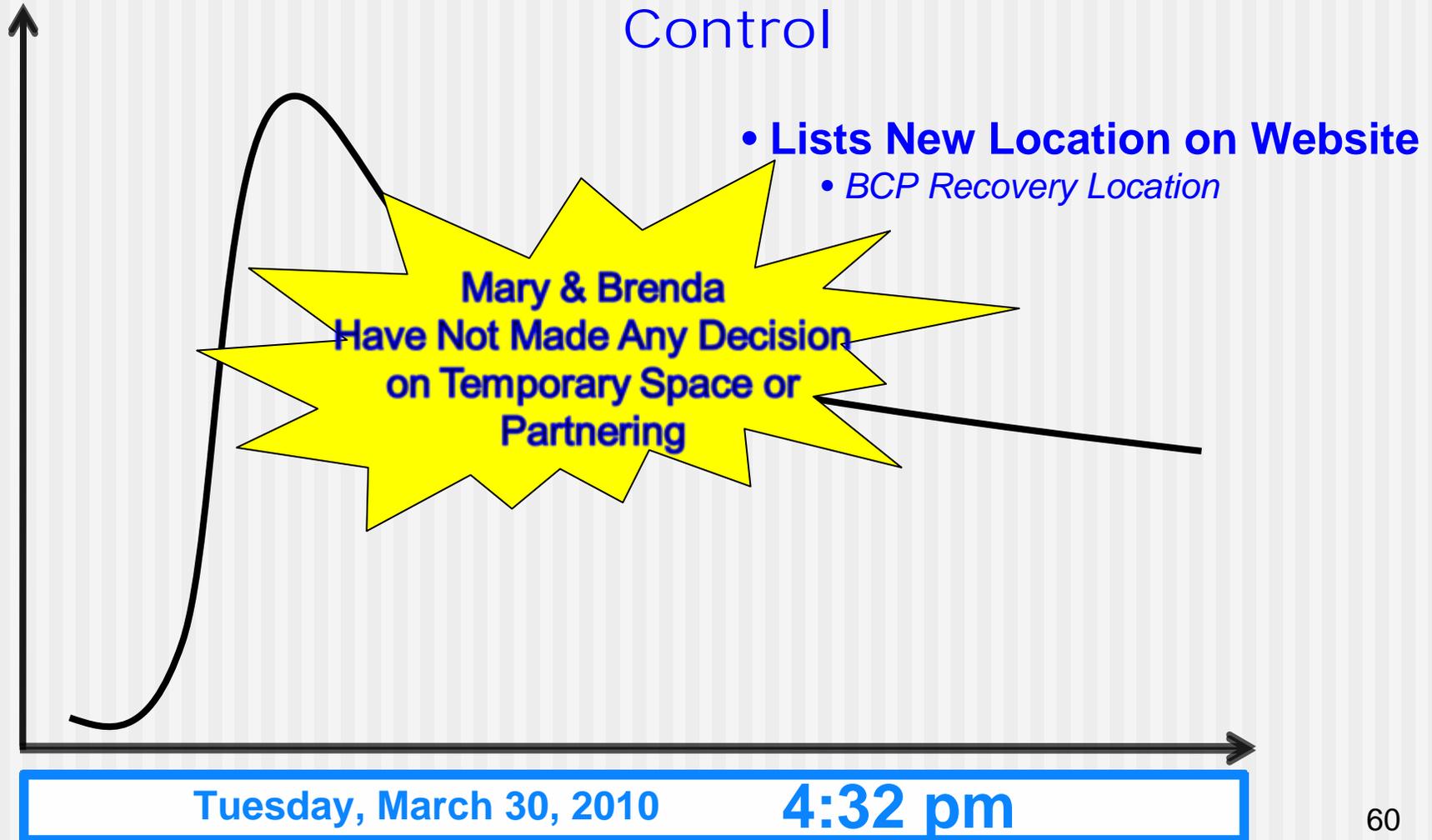
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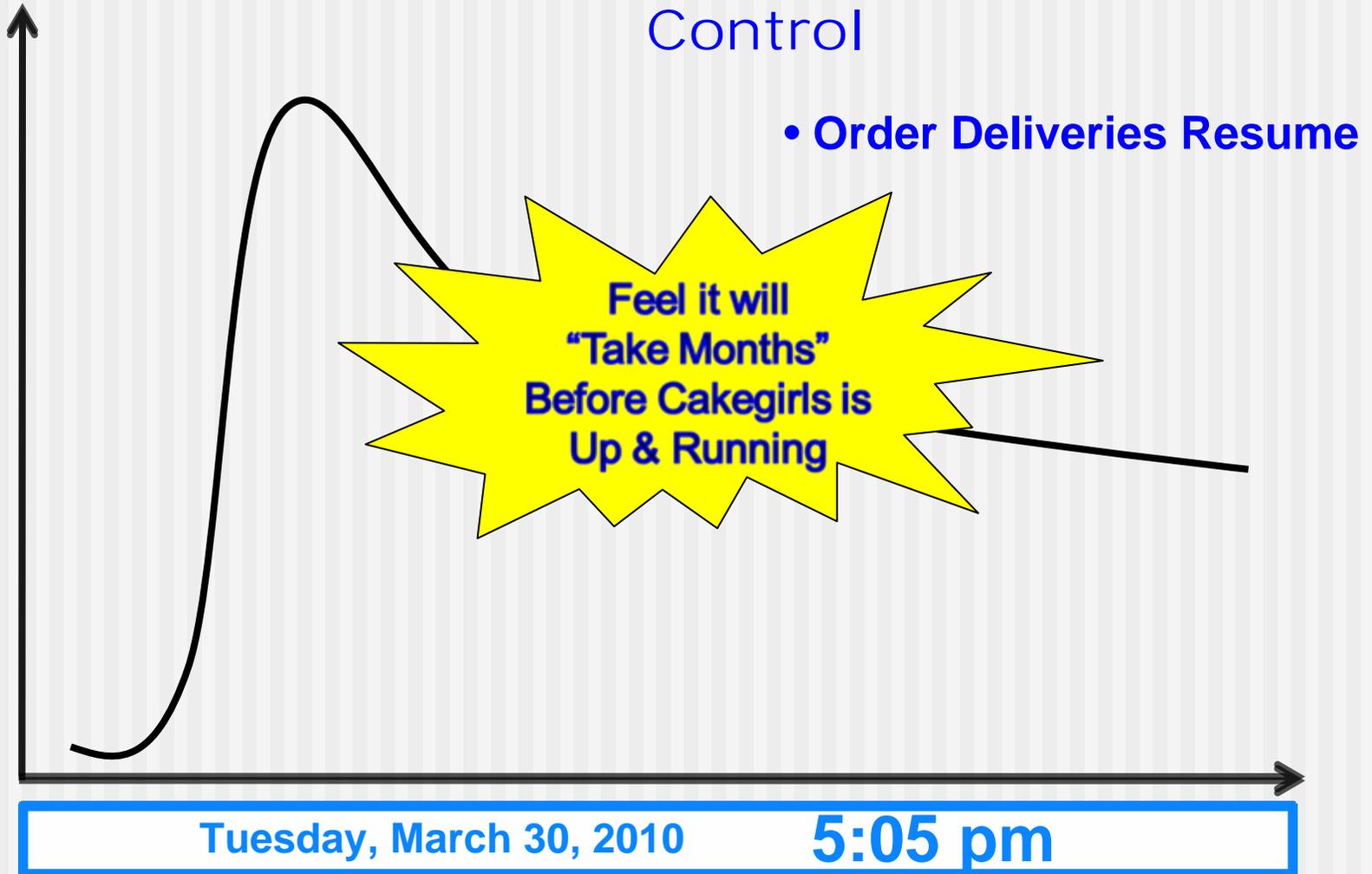
# Fire Disaster Minimized



# Fire Disaster Minimized



# Fire Disaster Minimized



# Fire Disaster Minimized

**Crisis Averted!**

• *Due to Business Continuity Plan*

Order  
Cancellations  
Continue

**Bakery Stays In Business!**

\$80,000

~~+\$337,000~~

~~(100 ORDERS)~~

\$80,000

Tuesday, March 30, 2010

6:28 pm

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# Are You Prepared?

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# What Will You Do?

# Manage Your Business Risk

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Develop Your Own  
Business Continuity Plan  
With Our Help!

Receive  
**Free** BCP Toolkit - \$39 Value

# What's in a BCP

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- Recovery Location
- Critical Business Functions
- Vital Records
  - Data to Support Critical Business Functions
  - Accounting Records & Tax Returns
  - Corporate Documents
  - Contracts
  - Insurance Policies

# What's in a BCP

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- Key Contacts
  - Employees
  - Customer
  - Vendors/Suppliers
  - Partners/Service Providers
- Critical Phone Number/Lines
  - 800
  - Local/Cell
  - Fax

# What's in a BCP

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- Voice & Data Communications
  - Service
  - Features
- Vital Inventory Lists
  - Equipment/Vehicles
    - Office, Production, Communications
  - Computer Hardware & Software
  - Supplies

# What's in a BCP

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- Emergency Procedures
  - Employee Call Tree
- Disaster Checklist
  - Go Box Contents and Location
- Risk Assessment Tool
- Important Resources

# Develop a Business Continuity Plan with an SBDC Adviser



**You will work 1-1 with an adviser to:**

1. Complete risk assessments
2. Identify likely scenarios and Critical Business Functions
3. Develop a confidential Business Continuity Plan
4. Implement the Plan within your business

**The Result:** You'll quickly create a comprehensive plan that prepares your business for risks it faces.

# Why Develop a BCP?

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- Protect Your Business
- Avoid Any Impact to Your Customers
- Stabilize Your Community
- Protect Jobs



# Don't Be a Statistic by Not Managing Your Risk!



- **Commit to Developing Plans**
  - Assess Your Risk
  - Identify Likely Scenarios
  - Develop Business Continuity Plan



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# Be a Strategic & Manage Your Risk!



**Call for an Appointment  
and receive a**

**Free *Business Continuity Toolkit***

**(\$39 value)**

**at your first meeting with an adviser**

**847.925.6520**



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# Q & A

# Strategies to Improve Your Business

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