

***WE ARE IN A FIGHT (in
business) - HOW TO FIGHT
BACK***

Winter 2004

Slides located at

RedHawkAssociates.com

**In Northeast Ohio,
lost 174,000 manufacturing jobs
in 3 years (2000 to 2003)
*Payroll \$ down by 3.7% (1/2
billion \$ since 2001)***

****How is your business doing?**

“I know he (George H.W.) knew of the huge problems facing ...the President. September 11, 2001 was the day the whole world changed”. (Barbara Bush in Newsweek, 10/27/03, p.48)

China trade in 2003

- China sold the U.S. \$124 billion more than was sold to them*
- U. S. total deficit was \$489 bn, 17% higher than in 2002*
- Even Japan trades more than \$100 bn/yr with China*

From 2000 to 2002, US
manufacturing lost 25% of its jobs
(1,500,000)

Another 700,000 were lost in all
other areas of the US economy

Japan has lost 25% of its
manufacturing jobs since 1991

Forrester Research estimates that another 3.3 mm service and white collar jobs will be outsourced overseas by 2015

**The U. S. economy is really changing –
demographically**

- **A lot of people are not working, 75 million
between age 25 and 54**
 - **63% of those are women**

**Of those who want to work now, 8.3 million (5.6%)
are unemployed**

- **1.1 mm are now retired, compared to 300,000 in
1991- *that trend will increase* (at P&G, 18,400
workers retired from 2001-2003)**
- **Labor force is up 10% ages 55+ to 36% - that's
weird!**

“They can substitute off-the-shelf software (automated scanners at the supermarket, for example, or e-ticket kiosks at the airport). Or they can outsource to low-wage workers abroad (such as back-office service workers in India, or manufacturing workers in China).” (Robert Reich, San Jose Mercury News, January 18, 2004)

- U.S. needs 150,000 new jobs a month to stay even in unemployment, on average

**Enough on jobs, the deficit, Al
Qaeda, and on and on...**

*My cheese hasn't been moved,
it's been eaten!!*

but we have Wi-Fi and it is cool!

FIGHT BACK 1.CONNECTIVITY

**WI-FI (WIRELESS FIDELITY) WILL
RADICALIZE US**

**21.5 MILLION U.S. HOUSEHOLDS
NOW CONNECT TO INTERNET VIA
BROADBAND**

**BY 2008, 46 MILLION WILL (50% OF
ONLINE HOUSEHOLDS)**

Online sales in the U.S. will reach \$65 billion in 2004, 24% greater than in 2003

That is only 2.5% of total retail sales

But by 2008, 30% of all retail sales will be driven by the internet (bought on it or researched on it)

Fight Back 2.

Reduce the Cost of Poor

Connectivity (COPC)... We have a real conversion occurring in business, even the phone company is preaching 1 and Done conflict resolution (SBC Ameritech) – to cut costs (fewer call backs) and improve customer satisfaction (JP Morgan Chase does it)

**Chase Credit Card saw
that they could save
millions of \$ annually
just by resolving
customer issues 1 and
Done – reducing
callbacks, improving
retention, etc.**

Fight Back 3. Transform

Tom Peters calls them PSF's –

Professional Service Firms

They are all over: less bricks, more

mortar.

**The mortar holds these floating, virtual,
transitory alliances together – Orvis
sourcing to China, Remington using 3rd
party DCs to fill orders**

Fight Back 4. The Mortar

The Leader's (not the CEO's, that term is so 2003) job is to help set the goals, lay the foundation to find and manage (yes) the mortar

How to do it? The old saw “ get the best people”.

No, get the “best person in the world” (Arthur Blank, Home Depot, owner of Atlanta Falcons)

The best talent wins! Go get it...

“Our firms are all doing the same work, the thing we can offer as different to our associates is our relationships and the culture” (Jeff Glueck, Deloitte Consulting)

**“Leadership is personal”
(Louis Gerstener)**

Fight Back 5.

**Where to go for this
talent and to
grow...**

Women Rock!

Answer this:

Who manages more things at once? Who works with a longer to-do list? Who takes care of the details? Who asks more questions in conversation? Who is more inclined to get involved and stay in touch?

Source: Tom Peters, 2/20/03, from [Selling is a Women's Game: 15 Powerful Reasons Why Women Can Outsell Men](#), Nicki Joy and Susan Kane-Benson

Women buy!
94% of home furnishings
92% of vacations
91% of houses
80% of DIY
51% of consumer electronics
60% of cars
83% of all consumer purchases
80% of health care

BUT WOMEN ARE ONLY...

**8% OF THE BIG 5 OR 4
PARTNERS**

**7% OF MED SCHOOL DEANS (BUT
43% OF THE NEW STUDENTS)**

**63 OF THE TOP 2,500 WAGE
EARNERS IN THE FORTUNE 500**

Fight Back 6. Customers

There are a lot of customers in the U.S.

- 300 million people

- 160,000 businesses

++ 96,000(!) of those are between \$1mm
to \$25 mm in sales

“The growth in the economy is here, not
in big companies” Peter Taft,
Morgenthaler Partners

**But you better have the right view,
the customer's view,
See partnerships with customers,
make it too expensive to switch
from you –
Ask customers “what bothers you,
keeps you up
at night”
*Customers are not just a wallet for
to access***

Progressive Insurance has done it with their Concierge Service – drop off your damaged car, they will get it repaired, have a rental car right there for you.

“But they must locate the centers where customers feel comfortable having their spouse drive at night”

(Allen Wiant, Brandon Wiant Converse)

*Challenge to do it right and
affordably*

Fight Back 7. Brand creates value

Orvis – country lifestyle
Remington Arms – image of
Dale Earnhardt Jr.

****Lexus – epitome of**
service but not
intimidating, with easy to
buy navigation systems

Fight Back 8. Understand the power and effect of demographics, know these facts and put them to use...

Baby boomers are 79 mm (1/4 of population) in US, as they pass age 40 they consume less as a % of their income, save more

So What!

**–financial services, health care will be
needed even more,
tennis clubs and running shoes, less by the
boomers**

**What about the ECHO (the kids of the
Boomers) - 70 million, (born between 1980
and 1994)?**

**they will both drive the macro economy for
the next 20 years**

THE RESULT MAY BE

**LOWER INFLATION, LOWER TAX
REVENUES, INCREASED DEFICITS,
LOWER GROWTH**

HOW TO FINANCE THE TWINS?

**SOCIAL SECURITY AND MEDICARE FOR
THE OLD BOOMERS**

The U.S government has some ‘splaining to do...(Desi Arnaz)

- from 1984 to 2002, the government collected \$1.7 trillion more than it paid,
3/4 of U.S. households pay more in Social Security taxes than in income taxes**
- The gov't spent \$5.3 trillion more than it took in during that time – it used all the SS \$ for operations to reduce the deficit**
 - Now the national debt is \$7 trillion**
 - The U.S went from pay as you go to let the Echo generation pay for it**

Where will the \$ come from?

**Most people make less now than 30
years ago...**

**Bottom 90% taxpaying households (120
million) avg. income dropped 0.1% from
1970 to 2000**

**top 10% avg income increased 89%
top 0.5% increased by 145%, etc.**

Someone has to pay for it – who?

Fight Back 9. DIFF.

New slides added in 2005

10,000,000 workers will be the
shortfall here in the USA by 2010

the answer is more immigration,
more outsourcing

We are in “Globalization 3.0”...

1.0 was 1800 to WWI – the Age of Railroads –
the world shrunk

2.0 was 1980s to 2000 based on PC’s and
telecommunications

3.0 (now) is making the world tiny due to
combination of fiber optic data transmission,
global pc use, software applications

3 effects of 3.0

1. We have “a worldwide network which connect(s) all the resource pools on the planet”
(N. Nilekani, Infosys (India) CEO)
2. India will be for services what China is for manufacturing
3. American wages will be hindered unless its workers can lead in the development of products that can use effects 1 and 2

How Do You Succeed on Step 3?

One way is to focus on the customer and the problem you are solving for them. They don't care how you are solving it, just that you are.

“We are in the customer service business and we happen to fly planes, too.” (Gary Kelly, CFO of Southwest Airlines)

*7 of top 10 categories of # of jobs to be created
by 2012 (21 million new jobs) in US are “low-
wage, service jobs”
paying less than \$18,000/year
(Bureau of Labor Statistics)*

*The biggest area of growth are in retail sales,
food service and cashiers*

*The question is what good is retraining and
education if the result is a job as a dishwasher*

Keep it simple, control what you
can...

“Play hard”

“Play together”

“Play smart”

(Dean Smith, winningest college basketball
coach)

“Our inventory velocity translates to margin benefit.” Tom Szkutak,
CFO, Amazon.com

What! He means that because he turns his inventory every 2.6 weeks compare to a retailer’s 7 weeks, he suffers less deterioration of value as product ages

Economy to drive filings

In 2004, the lowest number of companies filed for Chapter 11 in at least 25 years