

## Necessity Is A Gift – Don't Waste It

After the last recession (yes we've been around that long) we had a common conversation with many business that had survived and were now thriving again, it went something like this:-

**“We are making so much more money now on the same turnover, we should have made the changes we were forced into years ago”**

A fat pasture breeds lazy beasts and it's no different in business, historical margins are accepted as the norm, inefficiency is tolerated because it's a lot of effort to make changes (maybe we just buy a new machine?) and CI is not a way of life. People are not developed because they are doing ok and customers are not treated as well as they could be. ***Strategy is ignored in favour of 'doing what we always did... just a bit better'.***



Cutting costs is the first place that many businesses look when times are hard but in the fenestration sector another phenomenon is even more common, to simply look at suppliers to reduce *their* margins, improve *their* efficiency and gift their customers the results in the form of stable or reduced prices. ***This supplier abuse tactic, for that's what it is in many cases, is beginning to have diminishing returns.*** Treating a supplier as a cash cow and the principal way to reduce the costs in their own businesses is proving to be a difficult tactic for many customers this time round. Suppliers don't have the margins to give away, they've already made changes to cut their costs in order to maintain an acceptable margin in their own businesses and in a B2B sale they are the meat in the sandwich between their suppliers who want higher prices and their customers who don't.

The pandemic changed the landscape in more ways than one but shortage of supply forced many suppliers to raise prices to noisy and often angry customers, this time successfully. Customers who had in the past blustered threatened and in some cases abused supplier's staff to get their own way found that their suppliers had no where to go and the ***necessity of the marketplace meant prices were going up, take it or leave it.***

***Supply shortages and robust demand made security of supply as important as price.*** It doesn't matter how expensive bricks are you can't build houses without them and many fabricators and installers were faced with the prospect of no supply regardless of price in a marketplace where demand was high (stressful!). Now supply chains are easing, supply is more secure, shipping costs are back to pre-pandemic levels but the legacy of those times means that material prices won't tumble, arguably as more markets open up (China in particular will not self-harm for ever and is a huge user of raw materials) they will continue to inflate. Now add to that mix a recession and it's effects on end user customer demand. Arguably the only demand that matters

is set to be challenged, will it collapse? Who can say but even if it doesn't the end user will become more price sensitive even at the high value end, people still want BMW's they just want a 5 series at the very best price, if they don't think they are getting a good deal they will spend the same money on another car from another manufacturer.

It's time to not waste the opportunity this environment presents, sure argue for the best price from your suppliers but fewer will be willing or able to accept 'loss leading' or low margin high volume customers to keep their own volumes high so if that's your only tactic you are probably lost. Instead look at strategy, then people and process to win in a static or declining market. Business leadership in hard times is the true test and what's in your control is what you have to work with.

There is an old saying 'Don't waste a good crisis' and it's up to leaders and managers to exploit the opportunities that threats present, however one thing is for sure just bleating about the challenges won't make them go away.

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