



Havenshire Limited Newsletter

August 2009 From Our Founder

Technical and Business Consulting You Can Trust

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Expanding Our Offerings

I've been scouting for products from other sources that can help your business. In these times, technology isn't always the answer.

Although there is no UK edition yet for my **new ebook** about how to get customers to pay, much of that ebook is also applicable to the UK. During economic trouble, the ebook answers the most common business consulting questions I get.

People also frequently ask about arranging credit for their business. That's tough for small business owners because banks so often want personal guarantees and other direct ties between the business and the owner's credit. But I found an ebook about how to get credit for your small business without tangling your personal finances. Since it isn't my product, I simply put a **referral** to it in the store.

As a reminder, if your business is small to medium sized, I am personally delivering some business advisory and consulting services for such firms on a *pay for performance* basis. I don't assign this to anyone else. It works like this:

- I take a good look at some aspect of your business where you are having difficulty, or even at your entire business.
- I recommend actions to improve your business.
- You and I agree in writing on how you will measure performance before and after these actions, and other details.
- You pay me an agreed percentage of the additional profit you make as a result of acting upon my recommendations.

Notice that your risk is as close to zero as it can get. You pay only out of additional profit. You don't pay up front before the extra money comes in, and you only pay for success (which is why I don't delegate this to anyone else).

If your business is having a rough time, this is the best deal I can offer!

Is Economic Recovery Really Starting?

Everybody has an opinion about this, so I might as well voice mine. Please bear in mind that it's just my personal opinion.

I believe this recovery is the equivalent of a bear market rally in a stock market. It could be relatively prolonged, lasting several months. But the longer it lasts, the worse its end is likely to be. Enjoy it while it lasts, but be wary about expecting it to carry on. Anyone who commits too much to the sturdiness of this upturn will suffer terribly in the long run.

To understand why I say this, you need only compare what we are going through now with one or two previous recessions, and with the Depression of the 1930s. UK statistics are tracking their path

into the Depression with disturbing precision. USA statistics are not as close a match, but close enough to warrant concern.

What About Those Green Shoots?

It's important to extract statistics from surrounding 'spin' to make sense of them. Since the UK has been following the USA's economic path with a bit of a time lag, you may have noticed the USA announced sales of new houses were up 11% in June, which sounds encouraging. Look at the same figures year on year instead of month to month, and those sales were down 21% from 2008. New home sales have only been lower in the States once since 1963, even though the population is almost half again the size that it was in the early 1960s.

That makes the improvement in new home sales a feeble green shoot at best.

What's happening in both countries with sales of new houses is happening in other industries that are harder to measure. The weakest players have been forced out of the game. The remaining players are great strategic planners. They built up resources during the boom years. Some of them are now using those resources to invest in assets that have dropped to an attractive price. These players have the financial strength to weather a prolonged period of economic trouble and bide their time until an eventual genuine recovery turns their investments into more wealth.

One of the most prominent UK players in the news lately is Glaxo Smith Kline, which invested heavily in facilities to manufacture vaccines. GSK now has large contracts for vaccines against seasonal and swine flu, which will help it get through its financial troubles.

In USA oil, some refineries are going ahead with expansion. Volkswagon is building a new automotive factory in Tennessee. These projects have stretched their timelines, but have not been cancelled.

Those are examples of strategic moves providing flickers of sunlight in the gloom.

The Second Dip

There are only so many strong, highly strategic players, and they will only spend a prudent amount of their reserves. When they have picked up the bargains they want in property, capital equipment and labour, lesser players will not yet be strong enough to fill in the resulting lull.

Around that time, the other shoe in USA real estate will drop. We all know what happened to the rest of the world when the American sub-prime mortgage market fell apart. Many commercial mortgages must refinance within the coming year, and many of those will not be able to refinance in the current tight credit market. Those will go into default—a new wave of foreclosures that could easily wither our fragile 'green shoots.'

Let's all hope I'm completely wrong!