

By Richard Wright

Strategic Moves

With an eye on this year and next, manufacturers do what's necessary to ensure the survival of their company, and position it for growth when the storm breaks.



Retailers – when it comes to facing huge problems brought on by this recession, your suppliers are undergoing similar difficulties. In fact, it's fair to say they face many more, and more complex, problems. Simply the size of these operations makes that statement true – the people, the machinery, the costs of transportation, currency exchange, material costs, planning for a year no one can fore-

cast, credit problems for their own business, and credit problems their retail customers are experiencing.

Then, of course, there's the logistical problem of production in a time when many (most?) dealers won't have access to flooring plans – at least not at levels of previous years. Retailers will need to frequently place small orders; manufacturers will have to configure their production to accommodate that need.

The list could go on.

Hearth & Home asked manufacturers to explain what measures they implemented in 2008 to protect their company during this recession, and what steps they plan to take in 2009. These changes – both tactical and strategic – will determine which companies stay healthy during these down times, and which ones are positioned to lead when the economy begins to grow once more.



Alyce Wittus
Vice President

Wittus
Fire by Design

Cautious and Rational Decisions

“With over 30 years in the hearth industry, Wittus - Fire by Design has experienced dramatic economic swings and setbacks, and throughout has been able to maintain resiliency in its business.

“Our clientele tends to be more on the high end, and we are finding some customers are seemingly unaffected by the current economic situation and others are holding off on major purchases (delaying rather than buy-

ing cheaper).

“Thus we are affected by this ‘belt tightening’ and are seeing a slower growth pattern in our business. However, since we are a smaller company we can react very quickly.

“Marketing is key, so we are keeping our advertising at the same level and focusing on the publications that provide higher quality leads. Also, we have been brainstorming to develop some new and innovative ways to grow our dealer base and encourage sales.

“For this year we decided not to do some trade shows, including the HPBExpo, in order to conserve our expenditures and enable us to concentrate our attention on new products and better dealer support.

“We are continuing with our product

development efforts and plan to introduce new products this year that we feel will provide significant revenue.

“One of the ways to control expenses in this environment is to outsource, and our manufacturing, warehousing and installation are done with significant partners. So these are variable expenses depending on sales, rather than fixed overhead.

“These are trying times and Wittus - Fire by Design is weathering the storm well with cautious and rational decisions. And even though the outlook is unpredictable, we are very fortunate to have a great team, conscientious dealers and loyal partners. So we are optimistic for a positive economic turn in the next few years and the longer term.”



Jerry Scott
Vice President
Sales & Marketing

R.H.
Peterson Co.

Moving Forward Cautiously, Smartly

“According to Tom Peters, we are not in a recession; we are in a period of economic recalibration. From now on, things will be different.

“This period of recalibration provides us two opportunities: an opportunity to be a better, smarter company by the way we invest our time and dollars, and an opportunity to grow through more aggressive, effective marketing and sales programs.

“Everybody, every company, needs to re-evaluate how their money is spent. Care and caution are the by-words as each expenditure is analyzed to determine its effectiveness in contributing to the goals of the company. The Peterson Company is scrutinizing its sales and marketing, equipment, R & D and administrative expenses. Because “we did it last year” will not fly. Much like the zero-based budgeting process, each expense is judged by its merit. Return on investment in advertising, special programs and promotions

are examined to determine effectiveness and point out changes and improvements that can be made.

“As part of this recalibration, greater efficiencies and less waste are targeted goals. This involves examining job descriptions, work flows, material usage and time management. Although an overused phrase, doing more with less becomes our mantra.

“We are looking at greater use of e-communication via our Web site and e-mail to reduce paper and mailing expenses. We are trying to be smarter about our travel, visiting multiple customers in an area and taking advantage of travel special offers. Although these efforts were stimulated by our economic times, we believe we will be a stronger, more effective company as a result.

“As we look to control expenses, we are also looking at sales growth. Sensitive to our customers’ needs, we are creating more aggressive sales and marketing programs. Greater benefits with less commitment, looking to encourage more, smaller orders rather than fewer larger orders, extended dating terms and discounts are designed to be responsive to customers’ cost and cash flow concerns. More efficiencies in manufacturing combined with less waste yields cost savings that we pass on to our customers.

“At the Peterson Company, our target products – gas logs and grills –

allow us to focus on a niche market, allowing greater concentration on product quality and development. Diversification is expensive, and by limiting our reach we can do a better, more efficient job.

“These times are difficult, but as the sage once said, “When the going gets tough, the tough get going.” At Peterson, we are moving forward – cautiously, smartly and with an eye to better times.”



Barry Byars
Vice President/
General
Manager

The Holland
Grill Co.

Venturing into New Territory

“Like most businesses, The Holland Grill Co. has been affected by recent economic downturns. We have, however, been in “prevention-mode” for the last several years as the volatile grill business changes its shape. To help control expenses, we have consolidated sales territories to be covered by fewer of our direct salespeople, and tied compensation more directly to sales.

“We have also awarded more territory to some of our successful two-step distributors. We did have to lay off a considerable portion of our production people at the end of December, but are gradually bringing as many people as we can back as business increases.

“Maintenance of our established retail dealer network through good customer