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CHAPTER

1

# **Four Responses to Economic Contractions**

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**T**here are basically four responses people have during economic contractions—and only one that counts.

1. The Cheerleader Response: “I refuse to participate!”
2. The Old-School Response: “Nothing really has changed; let’s just get back to the basics.”
3. The Quitter Response: “There is nothing I can do, I just have to wait it out.”
4. Advance and Conquer: “Every resource you have goes to advance and conquer while others contract and retreat.”

Let me explain, as you move through each of the stages of recovery and as you build or rebuild your business, you will make choices in how you respond. Your response to the economic contraction will be a result of your beliefs and the influences of your environment. You have heard and/or witnessed each of the four responses by your employers. Let’s look at all four and examine the ones that work and any untruths that may be holding you back.

## **The Cheerleader Response**

The first response—the “cheerleader”—simply refuses to participate. I love this attitude and in fact agree with it on

many levels. However, there are two versions of this, one of which is workable and one that is not. The first suggests that you not partake in the thinking, actions, and behaviors of those agreeing with the economic contraction. While I agree that it's best not to buy into mass negativity, maintaining a totally positive—and therefore somewhat unrealistic—attitude during a time of serious contraction is, at best, a state of temporary denial. It's like you try (unsuccessfully, in most cases) to convince yourself “not to participate” and that somehow, you will be okay. I consider myself an optimistic person and believe my mental condition is critical to success, but it would be irresponsible and unworkable to suggest that the economy can be made different by mentally “pumping yourself up.” You actually have to *do* something! It is hard to deny that credit has tightened, lenders are calling in credit lines, companies and individuals are spending less, and people are losing their jobs. I don't know of a company or an industry that is not experiencing some type of reduction in its revenues. Something very real is happening, and just cheering your way through it and refusing to participate will not change anything.

As I write this, 20 percent of all teenagers in this country are unemployed; so if the product or service that you sell is dependent upon that demographic, it will affect your business. Over 10 percent of the workforce is unemployed. In some locations, that number already exceeds 15 percent and is still climbing. These statistics are frightening in their own right and negatively impact those who can't find work. Add to that the financial damage caused by fear, anxiety,

uncertainty, and lack of confidence, which can be more devastating than the actual facts and figures themselves. Auto sales are off by almost 40 percent, retail sales are hitting lows not seen in 25 years, foreclosures are hitting historical highs, massive amounts of wealth equity have disappeared with the downturn in housing prices, people have seen their 401(k)s cut in half, banks are failing at alarming rates, and credit is being frozen. Positive sayings and optimistic attitudes alone will not get us through this.

I am not trying to alarm you in any way, but operating under the impression that you can simply cheer your way out of this is unrealistic. We've received a serious wake-up call; those who respond by taking the right actions will advance, and those who sit by and do nothing will endure a lot of pain.

Let me give you an example. I live in Los Angeles, where—unlike the Gulf Coast, where I grew up—natural disasters are earthquakes, not hurricanes. The major difference between these two events is that earthquakes offer no warning and last only a few seconds (rather than several hours). So let's say you live in or are visiting Los Angeles, and there's a major earthquake—an 8.5 on the Richter scale. Regardless of how good a salesperson you are, you will have a difficult time selling anyone—including yourself—on the idea that he or she should just refuse to participate. When you see and feel the ground you're standing on move for the first time in your life and watch as buildings sway, trust me, you will *not* be able to cheer this off. During moments of intense episodes like hurricanes and earthquakes, even stock

market crashes and economic pullbacks, people become overwhelmed, freaked out, and tend to overreact. Typically, the first reaction to violent changes is to freeze up or retreat and for many, to simply deny the reality of what is happening. People are unprepared and unskilled to face such changes and don't want to confront the damages and discomfort they will bring.

However, denying the fact that you're experiencing an earthquake will certainly not change the fact that you should probably do something different to protect yourself and take a specific set of actions in order to ensure your safety and survival. For example, you might have to take a different route than usual to obtain food, water, and fuel since roads, bridges, communications, electricity, and the Internet will all be either jammed or not working. Literally *everything* you take for granted will be affected and most likely unavailable to you. Earthquakes occur very quickly, often without any kind of advance notice. Those who *know* how to respond to an earthquake will be able to move forward, while those who don't know what to do will automatically retreat.

Most people approach changes in the economy in the same way they do earthquakes: They simply don't prepare for them. This is the case especially after long periods of good times; people become a bit robotic and even lazy. They forget the muscle, discipline, persistence, energy, and creativity it takes to dominate. They don't know how to act when things suddenly change, so they merely *react*. Most individuals, managers, and CEOs get used to doing

business in stable economies; they therefore don't know how to respond correctly when things are difficult again.

It's not uncommon to see people becoming overly "reasonable" about the actions that are necessary to sustain themselves and their companies. And when recessions happen—as they do and always will—many salespeople, managers, entrepreneurs, executives, and CEOs find that they are ill equipped and lack the knowledge to counter those economic contractions. People have all types of very strange responses when they aren't prepared for events. Many of the actions you take merely mirror the economic contraction whereby you actually react to the contraction with thoughts and actions that further deepen or worsen your situation. Most will handle the economic decline with further cuts, denial, or just outright apathy, while others (as mentioned previously) will refuse to participate. But reactions like these are the opposite of deciding to be *first* in your market and dominate your competition.

## Old School Response

The second response is the classic old-school response to "get back to basics." This outlook suggests that nothing really has changed; if we would simply return to our "roots," everything would work out. I was working with a large group from an automotive company when an executive said, "Grant, nothing has really changed; we just have to get back to basics." I thought to myself, *your industry has gone from*

*16 million new car sales a year to 9 million* (the lowest level in 25 years). Every car dealer in America depends solely on advertising to drive traffic, something dealers will no longer be able to justify, and your sales force hasn't the first clue how to generate its own traffic. On top of that, the banks have pulled your floor plans (dealers borrow money to stock inventory), banks are tightening their lending criteria, and the media are telling people never to spend money again! And your response is to *get back to basics* when 95 percent of the people who work for you don't know what is "basic" enough in a major economic shift to make a difference?

While I support the overall concept of returning to the fundamental elements of an industry—and absolutely agree that the basics are vital to success—you can't depend on block-and-tackle if you're three touchdowns behind with only three minutes left in the last quarter. In other words, you can't make advances in business with just the basics. It is going to take some big plays in a very short period of time. The only way to flourish during an economic downturn is to take lots of unreasonable actions in order to dominate. Back to basics may only get you back to where you were—and remember, our goal here is to be *first*. This is not a time for simplistic sayings but rather for massive actions.

There are a lot of levels of "basic" to get through before you can finally get down to the most fundamental one: That which will get you traction in the changed market. It's also vital to understand that age, experience, and improvements in technology all influence what each person considers to be basic. If you sold products during the 1970s



oil crisis, for instance, and another person had sold only between 1998 and 2008, your definitions of basic would be radically dissimilar. The definition of basic for the person who sells encyclopedias door to door varies greatly from that for the person who sells the hottest, in-demand technological gadget that people cannot seem to get enough of. I built my first company going door to door to businesses all over America, and I did it during a severe recession. People weren't coming to me to buy my service I had to knock on thousands of cold doors just to get people to even know me. I couldn't afford advertising or huge marketing programs, and I didn't have a sales team to do this for me. I was an unknown and unproven commodity. By going door to door I learned skills that no one can ever take from me and that would later define me in business and as a person. I have met hundreds of people that want to be public speakers and I always tell them the same thing. "It's easy; just learn how to get an audience!" But most people that want to speak to audiences are not willing to do what it takes to get the audience. People claim how good they can speak but what does it matter if there's no one to listen.

The point I'm trying to make here is that to claim that an organization just needs to get back to basics is like the "wannabe" speaker who cannot get an audience. You must get yourself and the organization focused on creating a future instead of one focused on merely getting back to doing something from the past. You must vow to do whatever it takes to get the audience and go one step further and do whatever your competitors refuse to do and

then some—so that you can separate from all the other wannabes.

Things are always changing, and change requires actions beyond what is basic. If you don't change with the times, you will be left behind. To that end, even the basics change over time. While we certainly shouldn't disregard the basic principles of success, we do need to cultivate the basics we are using. Consider the fact that *the basics during times of expansion are different from those we use during contraction*—because you *can't afford to make mistakes*. When economies slow down, you cannot miss even one opportunity; you have to kick your activity way up and become much more tenacious about how you approach every interaction.

Think back to a time when you were extremely motivated to succeed and had to perform at a high level. You simply *had* to get results; therefore, you probably went beyond basic and switched to *serious* performance mode. To simply go back to the basics during periods of economic turmoil will not change the fact that you have fewer opportunities to work with, people have less money, credit is tight, fear is everywhere, and your clients will have more objections than ever to purchasing your product or service. While you will hear complaints, stalls, and reasons not to buy similar to those you heard when times were better, they will come with a different level of intensity and certainty from those upon whom your business depends.

It is a fact that many—if not most—of the people with whom you work have never sold in very difficult economies. So instructing those people to get back to basics

won't prompt them to do things that are basic enough to get the results you want, much less take market share. And we aren't interested in going backward in this book. We are going forward.

During periods of economic expansion, business can become so easy that individuals and companies are often lulled into an inflated impression of their own abilities. They become conditioned to a false sense of what it takes to be profitable during extended periods of easy money, free credit, surplus opportunities for their products, and a world operating without financial cares or concerns. Then, all of a sudden, you find yourself enduring the polar opposite situation. Every individual in the workforce who wants to succeed must take a new look at what it really means to get back to basics, develop or relearn new skills, and start executing actions that most of us have not used for years and many more of us didn't even know were required.

## The Quitter Response

The third type of response is expressed by quitters, the people who think there is nothing they can do and will wait out the economic downturn until things return to normal—at which time, they will get back to work again. This group will be crushed both financially and emotionally. They will go through all their cash, only to find out that economic contractions can last *much* longer than expected—in some cases, 18 months or even longer. These people will find themselves emotionally damaged from being out of the

workforce; even when things normalize, they will find it more difficult to get work because they haven't actively participated for months. The quitters are basically scavengers who depend on "good" economies to provide enough cash to fund their lifestyles. They travel from region to region and work in industries that are doing well but never really advance and conquer for themselves. They are only good at picking low-hanging fruit—or easy business—and are unable or unwilling to dig for gold. They will never truly accumulate wealth because they never developed a work ethic necessary to acquire success. I would never have someone from this group of people work for me; they contaminate the rest of the organization. A quitter probably would not even pick up this book to read it, much less execute the actions in it. And if such people did buy the book, I would have offended them so much by this point that they probably would have thrown it in the trash!

## **Advance and Conquer**

Now, the last school of thought: The advance-and-conquer response, and the one I promote as the only correct response for you to take. I encourage you to first embrace the idea that the market is different and has indeed changed and acknowledge that it will be more challenging (but by no means impossible) to sell your products and services, grow your business, or even keep a job. Know that it will require a completely unique sense of energy, work ethic, mind-set, and actions.

An economic slowdown is obviously an obstacle for both businesses and individuals but I will also show you that it is an opportunity for you. Starting a new company from scratch with just a little bit of money is very similar to going from a great economy to a very difficult one. You don't have credit, you don't have money, customers are hard to come by, and no one wants to see you. It's *tough*. The difference, however, with a major economic change is that *it isn't just happening to you*. Everyone's finances are affected, confidence is challenged, selling becomes more difficult, credit is tighter, and fewer opportunities exist. You're apt to be surrounded by negative people, complainers, crybabies, and excuse makers who have bad ideas and unworkable solutions. However—as I've stated before—economic contractions can also prove to be opportunities to gain new clients, boost sales, differentiate yourself and your company in the marketplace, and take market share. Therefore, advance and conquer, dominate those negatively impacted and take market from them! Those who are willing to learn new skills—and master and execute them with massive actions—will be rewarded in big ways that you could not accomplish when times were good. You will take control of market share while others surrender it.

I worked in my first sales job during the recession of the early 1980s. Unemployment rates were more than 20 percent and interest rates were 18 percent where I lived and worked. In hindsight, I probably should have moved, but I didn't have any money to do so. One out of four people could not buy the product I was selling due to the simple

fact that they were out of work. I was lucky if seven or eight prospects showed interest in my product in a week. My survival was based on the most basic of actions: Generating opportunities and then learning how to handle all the objections, stalls, and reasons that individuals come up with not to buy. This was my learning ground, and I had nothing else for comparison.

When you don't know, you simply *don't know*. If you grow up in poverty in a remote location surrounded by other poor families, you don't know you are poor. The only people who know you are poor are the people who have more than you. You won't be aware of your state of affairs until you have something with which to compare it. You don't know until you know! When you're trying to sell during a period of economic contraction and don't have anything to compare it with, you're almost blessed by not knowing. You will do and adjust to whatever is necessary in order to succeed.

The biggest challenge most people face today is their tendency to keep comparing the current situation with yesterday's and wishing for yesterday to return. The only thing that works, though, is concentrating on the future and forgetting the past. Those who continue to compare themselves with others in the market by claiming that they're "doing better than the rest" must remember that the goal is to dominate, not compare yourself with those who are doing badly. A surefire way to make sure you never get to first place is to compare yourself with others who have no intention of ever being first.

## Surviving Recessions

Since I began my career in the early 1980s, I have built three businesses and have endured—and even prospered—during periods of economic contraction. Most people reading this book have also survived tough times before; you simply might have forgotten that you *did* come through each of them. For instance, I was born during the 1958 recession that lasted two years. I survived it; in fact, I didn't even know we were having one. I survived another recession from 1960 to 1961 when I was three years old. In 1973, there was an oil crisis that lasted two years, and I worked all through school and during the summers when other people couldn't get a job. From early 1980 to 1982, the Iranian Revolution caused an increase in the price of oil around the world, leading the country into another recession. Survived it! In the early 1990s, the country experienced another recession that lasted a little over a year that included the housing bust, after which people swore they would never get back into real estate. I survived it. The year 2000, brought the collapse of the dot-com bubble, followed a year later by the September 11, 2001, attacks on the World Trade Center and Pentagon, causing tremendous economic fears around the world, especially in the United States. Survived both. This was followed by two years of accounting scandals and another contraction in our economy, which I also made it through. Then, in 2007, the world experienced the start of another major contraction, this time led by the collapse of the housing market, extending to bank collapses in the

United States and Europe. This resulted in bank failures, bankruptcies, foreclosures, and the subsequent failure of entire industries. We will *all* survive it. The question is can you thrive in it as well?

A recession, by definition, is basically a drop in the gross domestic product of a country over two quarters, or 180 days. Individuals and companies cannot actually experience a recession per se since they don't have gross domestic product. However, they can certainly experience the effects of recessions, and the degree to which they make or refuse to make adjustments will determine how well they endure it. I say all of this to give you encouragement and to remind you that you have survived, can survive, and will survive *any* economic contraction. But I do want to show you how to advance, conquer, and seize market share during these times.

While I would prefer to experience economic expansion, of course, the reality is that I have always done better during periods of contraction—as funny as that might seem. It's a bit of an odd phenomenon, but some people actually perform better when challenged because it triggers their need to survive and stimulates higher levels of performance. This in turn causes them to become more creative in the marketplace and more productive when others are throwing in the towel. So don't be hopeless. Contractions are not the end of the world; you can succeed regardless of the state of the economy.

Understand as well that economic contractions don't last forever. Those who don't quit but instead dig in and



get through them will come out the other side with a better work ethic, an increased customer base, and a bigger piece of the market. And survivors are instilled with the confidence that they *can* prosper, regardless of the conditions in which they're doing business. So don't throw in the towel. Understand that you have a choice in what you do to counter a pullback. You don't have to suffer the financial consequences others will experience if you act intelligently.

I live by the following motto: "Problems are opportunities, and conquered opportunities equal money earned." Remember that when you face a problem, it's an opportunity in disguise. Stay in the game, push forward, never retreat—and look for creative ways to solve your problems. A situation you're able to overcome won't even look like a problem later; you'll simply recall a situation that just needed to be handled properly. Unfortunately, people who pull back and retreat to the point that they almost disappear during economic downturns won't remember problems this way. They respond in a habitually negative way and become overwhelmed to the point that they're essentially blind to prospects and solutions. When the market recovers, these individuals will have less money and fewer clients and will be forgotten by the marketplace, leaving their business and identity damaged. Your great advantage in this market is that less competition gives you the chance to stand out and capture market share.

What follows in this book are the tactics that you must use to ensure that your business grows, survives, and prospers during *all* times but *especially* during economic contractions. These are proven techniques that, when used

exactly, will get you results. They are tried, true, tested, accurate, and precise formulas that will make your goals a reality. I encourage you to use them exactly as detailed and avoid being “reasonable” when you do.

*Reason* means proper exercise of the mind, sanity, the sum of the intellectual powers, and the possession of sound judgment. Being *unreasonable* here means that you won't allow yourself to be governed by or act according to reason. I don't want you to use your intellectual powers to make sense of this; after all, the world is filled with intelligent people who never do anything significant. Instead, I want you to operate as though you are without reason, without judgment—more like a madman or madwoman whose only goal is to make things happen. *Do not reason with these actions; just take them.* Do not apply your common sense when employing them. Use them in exactly the way I state them here. The biggest mistake you can make in using these techniques is to attempt to make them fit your personality or mind-set. *Do not* alter the actions in any way; you'll just end up with a watered-down version of what works.

Just last week I was working with a company and we identified an action of following up with customers that their competition would not employ. I suggested that the company follow up with customers as soon as the customer left rather than later in the day and even suggested that the salespeople follow customers home. Sounds crazy doesn't it? The management in this company protested, “There is no way this technique will work with our product or our customer demographic.” I pleaded with the managers to

just trust me and use the technique, and within 24 hours, they had contacted my office claiming, “Not only did it work, but our customers loved it!” The company was revitalized with new ways to expand into the marketplace. Now before you completely dismiss my actions as unworkable understand that your response alone means that others will not employ them either, which means those that take this action will no longer be competing but doing something completely different. At times like these you don’t want to compete, you want to beat!

While these techniques should be applied to your marketing and selling efforts in all economic climates, you will find these are the type of strategies and thinking to get you through periods of contraction. This is where we are only thinking in terms of expansion and willing to try anything, even break agreed upon norms in order to grab business. And before you start thinking you are violating customer satisfaction with these actions know that same company experienced the highest customer satisfaction scores their company had ever attained. Customers were saying, “We have never had a company who had been willing to do more to earn our business.” This way of thinking and these actions are for those who refuse to have their families, businesses, and financial futures put at risk—and are willing to do whatever it takes to be first. Trust me on this, and I assure you that you will be rewarded with success. I look forward to hearing about your journey to first and how much success you receive from the implementation of these powerful and effective recession-fighting techniques.

**Exercise**

**Four Responses to Economic Contractions**

Write down the four responses to a contraction.

- 1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 4. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Write down the names of people you know who fit each of the responses.

- 1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Write down examples of a time when you responded  
in each way and the result.

1. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Write down which one of the responses you will com-  
mit to using and why.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

*(continued)*

*(continued)*

What are the six ways you will be affected during a contraction?

- 1. \_\_\_\_\_  
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- 2. \_\_\_\_\_  
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\_\_\_\_\_
- 3. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 4. \_\_\_\_\_  
\_\_\_\_\_  
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- 5. \_\_\_\_\_  
\_\_\_\_\_  
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- 6. \_\_\_\_\_  
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