Five Steps Travel Companies Should Take Now

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Not all recessions are created equal. In fact, this recession, unlike others, adds a level of complexity for businesses that face not only vanishing demand for their product or service, but also limited or no access to capital to keep the business afloat.

This recession, unlike recent recessions, was caused largely by bank failures and no access to capital on the part of businesses or consumers, which ultimately led to dramatic declines in consumer consumption, and now increased layoffs…etc.

So what impact does this have on the travel enterprise? Simple. No access to cash.

Even strong companies are at risk of failure, not because they have a poor product, or their business model is flawed. Strong travel companies risk failure because they can't generate enough short term cash to cover their operating expenses. In these pages we provide five steps every travel company should be considering or doing now to preserve their business, and position themselves for success in the next expansion cycle.

1. Secure 12 Months of Cash.

The current recession may be long and pronounced, and as such, travel companies should do everything they can to horde cash and build up cash reserves of at least 12 months to ride out the storm. Short of this, external financing will be extremely limited and hard to come by. Travel companies should expect no white knight at the 11th hour to save their business.

Conversely, travel companies with strong cash positions should look at current market events as an unprecedented opportunity to buy good assets at attractive prices. In fact, a great place to start might be an internal audit of new products being developed internally (especially in the online space) and determine if it might be cheaper to acquire the technology, <u>and</u> an audience of consumers at a lower cost, thereby adding new value to the business, reducing operating cost, and positioning the business for success in the future. You might call it a trifecta.

2. Strengthen Your Brand.

Weaker hands will pull back on publicity and marketing activities as their first attempt to cut costs. In recessionary times, marketing is usually the first to go.

Smart companies, even with cost constraints, will find ways of growing the value of their brand by investing time and energy (if not cost) into activities that expand its interaction with customers. Think travel 2.0. Social Media. Don’t forget good old fashioned (dare we say it) creativity!

Spend time to learn what your customers think, say and feel about your brand. What promises has your brand kept, and where has it fallen short . What new things can you promise, and what promises should you stop making.

3. Streamline Operations.

Perhaps this is inevitable. After cost cutting (read headcount reductions) usually comes a need to manage the same work with fewer resources.

Don’t let this be your only answer.

Spend the time to think about what you should <u>STOP</u> doing. Refocus on the activities that add value to your customers, and that you have the infrastructure to consistently deliver. If you can’t ensure that your infrastructure or (fewer) resources can consistently deliver high-quality results, it’s time to consider discontinuing some activities.

This ties again to strengthening the brand. Ironically, streamlining your operations, eliminating activities that add less value to customers or ones where you aren’t able to consistently meet expectations, actually <u>strengthens</u> your brand because it eliminates fewer occasions where your brand fails to deliver on its promise.

4. Review All Supplier Agreements.

We don't mean this as a euphemism for beating up on your suppliers. Remember that business cycles fluctuate and you will most likely need your suppliers to help you grow during the next expansion cycle.

What we do mean however is to review the agreements you have in place that were constructed during a very different economic climate. We suggest going back to your suppliers and ask if there are things of value to you they can add to your agreement at little (or no) cost to them. Chances are, many more of these opportunities exists than you might realize. Remember the old saying "good things come to those who ask".

Use the background of the current economic environment as a reason to ask suppliers for more. Who knows, you might even be surprised to hear that they are more flexible than anticipated and much more willing negotiate.

5. Test Your Core Value Proposition.

No better time than the present to assess the reality of the assumptions behind your business plan. Perhaps you've assumed you have a cost advantage…and you don't, or that your customers have a high degree of loyalty…but the economic environment has dramatically eroded customer loyalty, favored instead by lower prices.

The stark reality of the depth of this recession has many business leaders asking tough questions about their business, and where they have market permission to compete. Take a lesson from their wisdom and ask yourself the same tough questions. Don't be fooled by your own assumptions about the space you're operating in...as the market has undeniably changed.

If you have the fortitude to ask tough questions about the business you're really in, you might find that you're surprised by the answers, and that you have a bridge to new opportunities in a related service or product offering.

Our Conclusions

Firms in the travel industry will face a long and pronounced recession where surviving will in and of itself be an accomplishment.

That said, there must be recognition that cost cutting is NOT a business strategy! It's merely a tactic to create room for the development of a new strategy to face the changed marketplace travel operators find themselves operating within. Following the 5 steps in this report will help you create breathing room where your new strategy has the runway it needs to take off.

To this end, Hudson Crossing is offering travel operators a Reality Check where we will conduct a business strategy audit that will :

• Validate the underlying assumptions of the 2009 business plan and assess the effect of current economic conditions.
• Validate the strategic mission and market positioning of your brand.
• Identify areas of operational inefficiencies and suggest more efficient alternatives
• Review how the company is performing against its financial plan and recommend adjustments to enable it to improve its financial performance in the next 12 to 18 months

HUDSON CROSSING

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Bridging the Gap between plan and performance

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