Implication of Product Proliferation Strategy on the Growth of Organizations in a Recessed Economy: A Study of Selected Consumable-Goods Firms in Nigeria

Solomon Olawale Farayola¹ and Bamidele Sodiq Adeleke²
¹Department of Marketing, the Ibarapa Polytechnic, Eruwa, Oyo State Nigeria
²Department of Marketing, Ladoke Akintola University of Tech., Ogbomoso, Oyo State Nigeria

Abstract: Long before now, the game rules for surviving in a turbulent environment and recessed economy is either through a head-on competition with rivals or through adoption of divestment strategies. Rather than this warfare approaches, this study demonstrated ways through which firms can sustain their continued survival and growth in a harsh economy through the adoption of product proliferation tactics. The work therefore examined the imperative of product proliferation strategy in expanding the sales horizon of firms in a downturn economy; and as well investigates the influence of brand proliferation on firm’s mitigation of business risks during recession. To achieve these objectives, the study utilized descriptive survey design to collect data from 217 management staff of three selected consumable-goods companies in Lagos and Oyo States Nigeria. Descriptive and inferential statistical analysis were used to analyzed product decisions used by the selected three selected Nigerian Fast Moving Consumer Goods (FMCG) firms which are Dangote Nigeria Ltd Lagos; Oriental Foods Ltd Ibadan; and GoldenPenny Nigeria Ltd, Lagos. The work found out that firm’s value creation and increasing market share can be best sustained in a recessed country through the introduction of lower variants of products in small quantities. It also discovered that firms can only generate more revenue and profit by moving into vast, deep and not-fully yet explored market through geographical expansion and brand proliferation strategies. The work suggested that in a turbulent economy, company should be more focus on the value of the customers rather than on the value of competitors. It also recommends that a company should estimate its target markets income and financial strengths growth, the needs and usage rate fluctuation of the customers. These would give them leap advantage i.e. the possibility to successfully make either a quantity or quality variants of product decision in order to continue in achieving a long-term industry success.

Key words: Value Creation, Product Proliferation, Recessed Economy, Downturn Industry

1.0 INTRODUCTION

These days there are several phenomena which are connected to worldwide economy. Some of these phenomena can be explained with some theory or those can be tested with some theoretical model. However, connecting factor for most of the phenomena is that those are under of research and people want to know the reason behind of it. People in academic and business world are similar in a sense that they want to be familiar with the phenomenon. Even more if there is a chance that phenomenon can be profitable or unfavourable for their business. Recession is one of these phenomena. Recession occurs with different amplitude and frequency in a worldwide economy. Sometimes it can be strong and worldwide and on the other hand it can be local and its effects can be insignificant. Recession is definitely a phenomenon which raises questions and interest.
Whenever or wherever the recession occurs, it will raise questions. Researchers in academic field are mostly interested about the reasons and consequences behind the phenomena in general level. In business world recession tends to draw attention when it comes to company’s possibilities and threats. There are several points in this phenomenon which could be studied, but in general the predictability of recession is one interesting issue which many of researchers would like to know. There are numeric facts about the recession, which have pulled from the earlier recessions. These numbers are still the average numbers of previous recessions so these cannot be easily generalized to every following recession.

Recession is such a multidimensional phenomenon that researchers have not found clear explanation for that, but that fact just increases the interest towards the phenomenon from the academic researchers and business life’s behalf. It is clear that many companies would be interested about the fact whether there exists a way how they could benefit from recession, so there is no need to argue the reason for this study (Shama 1993; & Ryan 1991).

Generally, the relationship between marketing product activities and recession cannot be over-emphasized; and it is very fundamental to analyze the effects of product proliferation on companies’ survival during recession. Marketing itself is such a big part of entire company so it cannot be included entirely for this study. This study focuses on marketing product element and for the changes made in other marketing mix elements during recession. In other words, does it pay off to invest in introducing more product variants during the recession?

Product proliferation is an important tool of competitive strategy used by firms in diverse industries. As discussed by Connor (1981), indicators of product proliferation include a large number of new product introductions, wide product variety, and long product lines. Today, the practice of product proliferation is clearly evident. Previous research, largely theoretical in nature, has identified three mechanisms by which proliferation strategies can affect individual firm conduct and market equilibrium (Lancaster 1990; Ratchford 1990). On the demand side, a broad product line can allow a firm to satisfy the needs and wants of heterogeneous consumers more precisely (e.g., proliferation can increase the overall demand faced by the firm. On the supply side, a broad product line will increase the firm’s per unit production costs when scale economies are present (Baumol, Panzar & Willig 1982). In addition, a broad product line may lead to added design costs, additional inventory holding costs, and added complexity in the assembly process (Lancaster, 1990; Moorthy 1984). Thus, in making its product line decisions, a firm must balance any demand increases due to proliferation with the associated increases in costs. Finally, external strategic considerations can also play an important role in individual firm proliferation strategies (Lancaster 1990; Connor 1981; Quelch and Kenny 1994).

Ryan (1991) states that American Business Press studies found already in the 1970’s formidable evidence that cutting advertising costs during economic downturns can result in both immediate and long-term negative effects on sales and profits. These findings prove that same topic is worth of researching these days also. Quelch (2008) and Ghemawat (1993) argued also that product variables should be emphasized during recession and cutting costs from marketing might have long-term negative impact. In this research target group includes Nigeria’s companies with
varying size from small to large, but the main attention is in product marketing activities of these companies. (Ryan 1991, Quelch 2008 & Ghemawat 1993).

According to Ryan (1991) the idea of conducting a study which is combines recession and marketing, goes back to 1920’s. Once again this phenomenon has been topical when worldwide economy turned in to downturn in the end of the year 2008. (Geroski & Gregg 1997; Parkin, Powell & Matthews 2003; Shama 1993, Ryan 1991). Considering the number of new product introductions and available product varieties today, the practice of product proliferation is visibly evident in many diverse industries. Given its prevalence in practice, understanding the determinants and implications of firm proliferation strategies clearly has important managerial relevance.

Previous theoretical research has identified three primary effects of a proliferation strategy: First, a broad product line can increase the overall demand faced by the firm, Second, a broad product line can affect supply by increasing costs, and Third, broad product lines can have strategic consequences (e.g., long product lines can deter entry, thereby allowing an incumbent firm to raise prices). However, despite the theoretical interest in this common business practice, there has been very little empirical research on this topic especially on how the tools can be applied in the recessed economy. Moreover, no empirical study in Nigeria, has simultaneously considered all three of the possible effects associated with a proliferation strategy. Hence, this study seeks to fill the gap.

Consequently, in this paper we propose a two-study objective that captures both the determinants and firms’ growth dimension of a firm's product line decisions. In particular, the study specifically examines the imperative of product proliferation strategy in expanding the sales horizon of firms in a downturn economy; and as well investigate the influence of brand proliferation on corporate firm risks mitigation during recession.

2.0 REVIEW OF CONCEPTUAL LITERATURE

2.1. Marketing Activities in Recession

There are several opinions how marketing and marketing activities should be executed during rough times. Some of the opinions say that marketing is unnecessary activity and some of them say that it should be emphasized. Kotler (2005) says that when recession strikes, then most of the companies hurry to cut the costs and the most obvious target is marketing. In these big companies the executive don’t usually believe that marketing can be a profitable action, they can stand that only during the time period when business runs smoothly. These executives define the marketing budget from the expected revenue and when these don’t fulfill, they see the reason to cut the costs from marketing budget (Kotler 2005).

Kotler (2005) explains that one good example from this kind of decisions was when CEO of big grocery shop decided to cut the marketing budget when the recession came. The result of this decision was more than unsuccessful, when the grocery shop lost its customers to their competitors. Conclusion from this was that company lost more, than they saved in cutting the costs from marketing budget. Kotler (2005) argues that CEO’s should consider different saving targets and even probably establish a group which is seeking solutions for cutting the costs.
Cutting of costs should happen in a way that different functions are made more effective, because every company have some weak and unprofitable points in their business. Kotler (2005) continues that there are two important rules which should be remembered during rough times. Companies hurry to make some savings when the challenging time begins, but they should remember that they cannot change the value created for customers. Customers can make their buying decisions based on promised value proposition and if this is suddenly changed they can easily switch to competitors services and products. Other thing to be remembered is to respect your co-operators like suppliers, retailers etc. If this group finds out that the promised value proposition is changed or it is getting worse from their point of view, they can also move to competitor’s network. Companies should consider the cutting their prices. Customers are well aware about prices during the recession, so companies have to be ready to make some concessions. It is more important to keep the customers with the price of smaller sales, than to lose the customers for competitors (Kotler 2005).

2.2 Marketing and Marketing Mix
There are several definitions of marketing by various authors, and professionals. The definition of marketing is as varied and diverse as the many authors who have attempted to define it. There is no single universally accepted definition but a whole spectrum which depicted the diversity of perspective adopted by different writers.

Kotler (2010) defines marketing as a social and managerial process by which individuals and groups obtain what they want through creating, offering and exchanging products of value with others. It was also defined as the scientific study of exchange relationships. Marketing is the set of human activities directed at facilitating and consummating exchanges.

The Institute of Marketing, UK, (1996) gave a definition of marketing that is distinctively action centered and managerial in approach. The Institute of marketing regarded marketing as “the management function which organizes and direct all those business activities involved in assessing and converting customer purchasing power into effective demand for the specific product or service and moving the product or service to the final consumer so as to achieve the profit target or other objectives of the company.”

Stanton (1981) sees marketing as including all business activities that make possible, the determination of what should be produced and control that which is produced from its creation to ultimate consumption. Stanton further distinguished marketing from two different senses: Societal and business senses. In a societal sense, marketing is any exchange activity intended to satisfy human wants. In a sense, marketing is a system of business action designed to plan, price, promote and distribute want – satisfying goods and services to markets. According to Mazur (1947), marketing is the delivery of a standard of living to society, while Drunker (1954) saw marketing as “the whole business seen from the point of view of its final result, which is from customer’s point of view”.

American Marketing Association (1960) defines marketing as consisting of “the performance of business activities that direct the flow of goods and services from producer to consumer/user.”
Copper (1996) said “marketing is the business process by which goods and services are brought into contact with markets and through which ownership takes place.” According to Schewe and Smith (1983) marketing is managing human and organizational exchange activities directed at satisfying human wants and needs. “Marketing encompasses exchange activities conducted by individuals and organizations for the purpose of satisfying human wants” (Enis, 1977).

Stewart (1995) differently offers definitions of marketing that is very comprehensive. Stewart defined marketing as the vehicle through which a company can achieve its short-term goals and strategic aims in terms of long-term survival in the face of change, particularly competitive change.

As already stated that the marketing mix or variables consists of controllable elements – product, price, distribution and promotion. This Marketing Mix according to McCarthy (2005) refers to “the controllable variables put together to satisfy the target market”. A target market is the group of present and potential representation of the buyers (Jobber, 2006). It must be noted that the concept of marketing mix was first propounded by Neil Borden in 1961. He identified up to thirty-five (35) variables but E. J. McCarthy in 1965 assembled them into four P’s as it is being known today.

Organizations have to decide on how to allocate the total marketing budget for a product to various marketing mix-elements (Jobber, 2006). Kotler and Amstrong (2011) define marketing mix as the set of controllable variables and their levels that firm uses to influence the target market. McCarthy (2005) popularized a four factor classifications called the four P’s: product, place, price and promotion

### 2.3 Managing Product Proliferation During the Recession Time

Views on product strategy vary between companies and over time. Some businesses are noted for their focus on core products or services, proving a relatively narrow range of products (for example, McDonald’s or Coca Cola), whilst other businesses develop a diverse range of goods and services – product proliferation – for example, Virgin or Unilever.

In the 1960s and 1970s, business strategies often concentrated on the need for expansion and diversification, mainly so that UK firms could compete with manufacturers from larger markets such as the USA. However, since the 1980s, business thinking has tended to support smaller, more flexible business structures that are able to respond more quickly to changing consumer needs. Benefits of “focus on core” include:

1. concentration on areas of expertise will lead to greater efficiency as the firm benefits from specialization
2. a firm is more likely to understand the nature of its business and is thus likely to recognize the needs of the market
3. each product is likely to be produced on a much larger scale, so the company will benefit from internal economies of scale
4. consumers will trusts a firm’s ability to deliver quality if it concentrates on a few carefully-selected areas of activity
directors will be more capable of controlling an organization with a narrow focus than one that covers many activities

Some major benefits of product proliferation include:

i. increasing the number of products will spread the risk of failure and may help to secure the firm’s future (called risk-bearing economies of scale)

ii. different products or variations of a product can appeal to different market segments so this approach will allow a firm to increase sales

iii. market saturation may mean that a firm can grow only if it diversifies into other areas of activity

iv. there may be greater scope for expansion in other product areas

v. new products may have some connection to existing products and help sales

vi. customers’ tastes may be changing and spreading, in which case

The state of the economy also influences the choice between being a core business or using product proliferation. In boom times, businesses are anxious to attract as many customers as possible and it will therefore broaden their product mix. In times of a recession, businesses seek to cut costs. A reduction in the number of products can be a cost-effective way of achieving this, especially as one product may be “cannibalizing” sales from another of a firm’s own products

2.4 Product Proliferation and Firms’ Survival

Product proliferation is a pivotal strategic choice for a firm (Ramdas 2003; Sorenson 2000), with both benefits and costs. Greater product proliferation might enable the firm to capture more customers (Fosfuri and Giarratana 2007), charge higher prices for customized versions (Bayus and Putsis 1999; Kekre and Srinivasan 1990), raise entry barriers by saturating product niches (Lancaster 1990), or exploit economies of scale and scope (Gimeno and Woo, 1999). Yet it also can induce backlash, including product cannibalization (Hui 2004) or cost increases (Anderson 1995; MacDuffie, Sethuraman, and Fisher 1996).

These contrasting forces lead to conflicting empirical results regarding the link between product proliferation and performance. Kekre and Srinivasan (1990) find that product proliferation does not lead to higher returns on investments across a sample of large firms in different industries; in the personal computer industry specifically, Bayus and Putsis (1999) show that the net market share impact of product proliferation is negative. When they focus on firm survival in the same computer industry, Sorenson (2000) and Bayus and Agarwal (2007) indicate that firms with higher across-niche product proliferation initially can exploit their competitive advantage but not in later stages, when specialized firms benefit. Siggelkow (2003) instead provides evidence from the mutual fund industry that product proliferation enhances performance.

2.5 Tactics of Product Proliferation

Recent works have used two tactics to try to explain product proliferation. First, some studies try to complement a canonical resource and cost approach. Kekre and Srinivasan (1990) and Bayus and Putsis (1999) recognize that manufacturing trends to cut costs and increase production flexibility are vastly diffused; recent globalization trends that make markets more international and dynamic also have forced companies to improve their logistics and manufacturing processes (Chase, Jacobs, & Aquilano, 2005).
Thus product proliferation strategy profitability might depend on other mechanisms, such as those associated with demand or customer behavior (Ramdas, 2003; Siggelkow 2003). Second, a finer grained classification of product proliferation strategies might be insightful, to distinguish across-niche from within-niche efforts (Ramdas, 2003). In across-niche product proliferation, the firm simultaneously sells products to different submarkets, whereas with within-niche product proliferation, it augments the quantity of the different variants that it sells to one submarket. Firms could choose to perform the two product strategies independently; i.e. they might not correlate, and Sorenson (2000) investigate within-niche product proliferation, whereas Siggelkow (2003), and study only the across-niche version

Several tangible product characteristics and brands offer common attributes that customers use as anchors to simplify their purchasing decisions (Gilbride and Alleby, 2005; Hauser et al. 2010). To generalize our theory across industries, instead to referring to a particular product characteristic, we introduce the concept of a submarket niche, which we define as a collection of products with homogenous tangible characteristics (Sutton, 1998). Selecting by submarket niches thus implies that the customer selects according to homogenous product characteristics.

We anticipate two main types of purchasing rules, which define two sets of customers: brand loyalists and submarket niche loyalists. The first type chooses a brand to which they show fidelity or attraction (e.g., Toyota, Honda, Ford, GM, and VW); the second focuses on a particular range of product characteristics that determines their preferred submarket niche (e.g., compact car, minivan, sports car). All else being equal, behavioral and marketing theories suggest that higher levels of complexity in the product space should increase the number of customers who anchor their decisions on either brands or submarket niches.

When a firm engages in across-niche product proliferation, it should capture more value, especially from brand loyalists, because it obtains the positive effects of one-stop shopping. One-stop shopping advantages emerge when a vast array of products offered under the same umbrella brand increase customers’ utility. For such brand loyalists, across-niche product proliferation not only minimizes search costs (i.e., customers just look for the brand to find what they want) but also meets their needs better (Sappington and Wernerfelt, 1985). These effects then might increase consumption frequency and willingness to pay.

However, across-niche product proliferation likely weakens the link with submarket loyalists, who require the brand to be linked closely to the focal submarket for it to gain access to their consideration set (Posavac, Sanbonmatsu, Cronley, & Kardes 2001). Because a submarket follower’s choice of a particular brand depends on how strongly he or she associates that brand with the product submarket (Punj and Moon 2002; Urban, Hulland, & Weinberg 1993), firms with strong links to a specific submarket usually gain a superior image and reputation among these consumers. For example, Porsche likely appears in the consideration set of sports car buyers, because Porsche primarily offers sport cars.

The association of a brand with a submarket niche in turn depends on the concentration of the brand’s product offer (Meyvis & Janiszewski 2004). Increasing across-niche product
proliferation (i.e., increasing brand presence across different submarkets) instead disrupts this brand–submarket association and might lead to a loss of submarket loyalists. The stronger the brand’s initial submarket association, the more it relies on submarket loyalists, and the greater its loss will be if it undertakes across-niche product proliferation (Keller & Aaker 1992; Loken and John 1993). We thus predict a positive link between across-niche product proliferation and performance for firms that are not overly specialized, that is, those with at least a minimum threshold level of across-niche product proliferation. In turn, we expect that other things being equal, the relationship between across-niche product proliferation and firm performance displays a parabolic shape.

In contrast, within-niche product proliferation should not affect brand loyalists significantly. However, this type of proliferation should enhance performance, because firms, by continuously refining their products within their niche, develop versions that work better and exactly match the needs of submarket loyalists. In addition to focusing primarily on product characteristics that are salient to a niche submarket loyalists tend to demand that firms respond to their needs and feedback (Schmalensee, 2000). According to Shapiro and Varian (1998), within-niche product proliferation signals a responsive market orientation, because the firm adapts its product offering to the preference heterogeneity of customers within a particular submarket niche.

However, within-niche product proliferation should not increase performance when it appears together with greater across-niche product proliferation. That is, more within-niche product proliferation implies equal or lower across-niche product proliferation if the additional versions appear in the main submarket niche, but it indicates higher across-niche product proliferation if the new versions appeal to marginal or new niches. In this latter case, the firm loses its valuable initial brand–submarket association; the strength of the negative effects of this development depends on the strength of the initial association. The more specialized the firm is, the more it stands to lose if it combines within- and across-niche product proliferation. Thus, all else being equal, the study predicts a positive relationship between within-niche product proliferation and survival for firms in that are relatively specialized (below a threshold minimum level of across-niche product proliferation) and that do not perform this strategy jointly with across-niche product proliferation.

3.0. METHODOLOGY
This study was conducted through descriptive survey. Descriptive studies attempt to obtain a complete and accurate description of a situation or event. The design was selected for this study because it allowed for an in depth analysis of how product proliferation strategy affects corporate growth among the selected FCMG firms. The target population consisted of management staff of the selected FMCG goods which are Dangote Nigeria Ltd Lagos State, Oriental Foods Ltd Ibadan, Oyo State and GoldenPenny Nigeria Ltd, Lagos State. The total numbers of management staff of these selected firms are 327. Sample size was determined using Trek formula and a sample of 219 was drawn. Convenience sampling technique was used. Questionnaire was used as the main data collection tool. The selection of this tool was guided by the nature of data to be collected and by the objective of the study. The researcher was mainly concerned with views, opinions, feelings, attitudes and perceptions and such information can be best collected through
the use of questionnaires. The questionnaire was used since the study was concerned with variables that could not be directly observed and the target population was also largely literate and unlikely to have difficulties responding to the questionnaire items. The instrument was subjected to face and content validity.

4.0 DATA AND RESULTS
The target population was two hundred and nineteen management staff of selected FMCG firms. The study was a census and therefore 219 (100%) questionnaires were administered respondents. A total of 198 completed questionnaires were returned while 21 questionnaires were not received even after follow-up. Consequently, the response rate was 90.4%. Researchers have argued that a response rate of 50 per cent is adequate, a response rate of 60 per cent is good, and a response rate of 70 per cent is very good. Ninety percent response rate was therefore appropriate for drawing conclusion of this study.

Hypotheses and Result Findings
Formulated hypotheses below were subject to statistical test.

H₀₁ - product proliferation strategy cannot influence the in expansion of sales horizon of FMCG firms in a downturn economy.

H₀₂ - brand proliferation does not positively influence corporate firms in risks mitigation during recession.

All hypotheses were tested and analyzed using simple linear regression analysis.

H₀₁ - product proliferation strategy cannot influence the in expansion of sales horizon of FMCG firms in a downturn economy.

Hypothesis one shows how much of the variance in the dependent variable (sales expansion) is explained by the model, which is product proliferation strategy. The values 0.49 in the R squared column are expressed in percentage. This means that the model (product proliferation strategy) explains between 49% variations in the dependent variable (sales expansion). With an F value of 5.411 and a significance level 0.021, there is a significant influence of product proliferation strategy on the expansion of sales horizon of FMCG firms in a downturn economy, therefore, the null hypothesis (H₀₁) rejected.

H₀₂ - brand proliferation does not positively influence corporate firms in risks mitigation during recession.

The analysis shows how much of the variance in the dependent variable is explained by the model. R² was 0.38; F value is 5.198 and a p= 0.033. This indicates that there is a significant positive influence of brand proliferation on corporate firms’ mitigation of risks during recession. Therefore, the null hypothesis (H₀₂) rejected and the alternate hypothesis (Hₐ₂) accepted.
Table 1: Hypotheses Result

<table>
<thead>
<tr>
<th>HYPOTHESES</th>
<th>TOOLS</th>
<th>F-</th>
<th>R Square</th>
<th>Std. Error of the Estimate</th>
<th>df</th>
<th>P-</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>H01 - product proliferation strategy cannot influence the in expansion of sales horizon of FMCG firms in a downturn economy.</td>
<td>Regression Analysis</td>
<td>5.411</td>
<td>.49</td>
<td>.567</td>
<td>1</td>
<td>.0121</td>
<td>H01 rejected H1 accepted</td>
</tr>
<tr>
<td>H02 - brand proliferation does not positively influence corporate firms in risks mitigation during recession.</td>
<td>Regression Analysis</td>
<td>5.198</td>
<td>.38</td>
<td>.442</td>
<td>1</td>
<td>.033</td>
<td>H02 rejected H2 accepted</td>
</tr>
</tbody>
</table>

SOURCE: SPSS OUTPUT, 2018

5.0 CONCLUSION AND MANAGERIAL IMPLICATIONS

Our empirical results demonstrate that proliferation strategies do not have a one-dimensional explanation. We find that product proliferation decisions have both demand (market share) and supply (price) implications. Our results also suggest that the firm-level net market share impact of product proliferation in the recession economy is positive (i.e., the cost increases associated with a broader product line dominate any potential demand increases). As expected, we find that structural competitive factors play an important role in the determinants and market outcomes of a firm's product line decisions. However, we do not find evidence of firms using proliferation strategies to deter entry in this industry.

This analysis thus offers several important management implications. Product proliferation strategies produce benefits (e.g., differentiation, entry barriers, one-stop shopping), but managers cannot ignore their costs, which extend beyond production abilities to include a potential loss of the association between a brand and a niche. The magnitude of these costs depends on the complexity of the product space, which could change the distribution of customers according to their different decision-making rules. If customers mainly rely on brands (submarkets), firms that pursue across- (within-) niche product proliferation enjoy an advantage. In markets characterized by a bimodal distribution of customers, both polar strategies are optimal—a stylized fact that resonates with population ecology research.

The slide over the last year from economic growth into recession has been dramatic. The end of 2015 looks very different from the beginning of the year. This calls for a radical re-orientation of strategic priorities to deal with the shift in the economic environment. What is the best practice for dealing with a recession? Here are seven recommendations:
i. **Liquidity is king:** The critical role of liquidity is something that the corporate firms have re-discovered during the current financial meltdown - admittedly a special industry in extreme circumstances. Yet no matter what the industry, if revenues drop sharply and debtors stretch out their payables, all of a sudden creditors can lose confidence and insist on immediate payment. The liquidity plan must be stress tested to see whether it can deal with worst case scenarios. The best insurance is real cash reserves in a safe bank.

ii. **Reduce fixed costs and increase flexibility:** The ability to rapidly scale back activity when the recessionary storm hits without incurring major losses, and then scale back up on the rebound is key to coming out ahead after the storm passes.

iii. **If necessary, restructure boldly, sooner rather than later:** A downturn soon reveals what parts of the business are not profitable through a full economic cycle. Hanging on to non-economic business puts strain on the profitable business, thereby diminishing its rebound potential. If restructuring is needed, it’s important to move sooner before the markets for assets and divestments begin to freeze up.

iv. **Support critical long term partners:** Smaller partners, like critical suppliers, distributors and customers, many not have the financial strength to withstand a major credit squeeze alone. If they go down, the ability of the full value chain to rebound may be severely compromised. To reduce this risk, some manufacturers have decided to offer special support to keep weak suppliers afloat until business rebounds. This is what many family businesses do to get through downturns.

v. **Exploit opportunities to re-shape the competitive landscape:** For those with strong balance sheets and liquidity, recessions throw up buying opportunities of a life-time at bargain prices. Acquiring talent, assets, access to markets, or whole businesses, at distressed prices, can completely change the balance of power in an industry.

**Other product related specific recommendations include:**

vi. In a turbulent economy, company should be more focus on the value of the customers rather than on the value of competitors.

vii. Company should estimate its target markets income and financial strengths growth, the needs and usage rate fluctuation of the customers. These would give them leap advantage i.e. the possibility to successfully make either a quantity or quality variants of product decision in order to continue in achieving a long-term industry success.

viii. A firm that aims to increase its across-niche product proliferation from a specialized position should move quickly and invest significantly to speed up the process. However, we do not recommend pursuing within-niche product differentiation together with across-niche proliferation, as might be attempted by firms that want to change their segment. In this case, they should design organizational processes to introduce different versions of new products while also culling and retiring older models, to keep the level of specialization constant.

**References**


