

# Comment & analysis

**NEIL GILLIS** Chief executive, Blacks Leisure

## Economies are always cyclical

Retailers are finally learning that a long-term view is still important in times of recession

There is something unique about this recession that has not been commented upon much in the media.

It is not that this recession was bank led – that has happened before. It is not the speed of the decline – compared with some recessions, this one has been well signposted, with the original sub-prime issues first becoming clear in the early summer of last year.

Nor is it the degree of government intervention – the Depression of the 1930s was characterised by much greater levels of state aid, from Roosevelt's dam-building to Hitler's autobahns.

The thing that makes this downturn unique is the way in which some ordinary businesses have addressed it. After almost a decade of strong growth, many had perhaps begun to believe that the days of boom and bust were truly over, as our then-Chancellor famously stated.



But we learnt that they were not. And perhaps the next lesson to learn is that they never will be. Economic cycles are driven by human beings and human beings are creatures of oscillation. We have ups and downs: we can be confident to the point of arrogance and then

insecure to the point of depression.

These variations in our nature – amplified by the fact that we are herd animals and take our cue from those around us – cause the ups and downs in our economy. And it is likely that they always will.

Knowing this and not ignoring it may perhaps help us deal better with the seven fat years and seven lean years that will always shape our future. Because the real harm in any recession is the amount of structural damage that is caused and that need not be.

And that is where I have been impressed with some of the innovative ways in which businesses and individuals have been dealing with this recession compared with previous downturns. The usual pattern in such times is that we cut jobs, knowing full well that we will need to be hiring again in two years.

So we pay redundancy costs one

year and recruitment fees the next. We lose skills one year only to invest in training the next. Businesses go bust and value is destroyed only for someone to come along and buy the assets cheaply and build the business back up again. It is all unnecessarily wasteful.

But in this recession we are seeing many businesses learning that lesson. Many have offered their skilled staff sabbaticals, to lose capacity without losing skills. In some cases people have offered to take pay cuts to reduce costs but not lose the headcount that will be required when things improve.

There are many other examples of businesses and people doing all they can to minimise the structural damage caused by this recession. It is cyclical; it will end, and we need to make sure that as much as possible is left standing for when the next, inevitable, boom begins.

**JAMIE ZUPPINGER** Joint managing director, Barracuda Search

## Retail can and will survive this recession



**It's time to banish the negativity and to look at how we can support and encourage each other**



So that's it. Credit crunch Christmas 2008 is over, the decorations are back in their boxes and the administrations came as fast as new year resolutions fell by the wayside.

Watching TV reports you'd think the whole retail sector is about to collapse. But that's not the case. It may be tough as hell out there but it's not the end.

We need to fight back against the doom-mongers and we are doing that through the Backing UK Retail campaign alongside Retail Week. As Winston Churchill said: "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty." It's time to stand up and tell the country what's good about UK retail.

There were always going to be retail collapses but the failure of such a high-profile and loved name as Woolworths threw the industry into the spotlight. "If Woolies can go, anyone can," thought business reporters.

But similarly nostalgia-tinted names have disappeared from the high street before – think Littlewoods and C&A – and UK retail has survived. The truth is that Woolies had become an outdated format struggling to reinvent itself and sadly it didn't manage to in time.

It's time to banish the negativity and to look at how we can support and encourage each other, rather than let those around us talk us further into recession or browbeat our staff and customers into despair.

It's time to celebrate success and to exploit opportunities. Most importantly it's time to change how we, and those around us, think about UK retail. To quote Churchill again: "Attitude is a little thing that makes a big difference."

Backing UK Retail is our industry forum to make that difference. It is a dedicated website to show support for UK retail – and what a great start with Gordon Brown



**Fighting talk:** Tesco's Leahy has called on his industry counterparts to help consumers

and Sir Terry Leahy last week – which will encapsulate everything we are good at and provide a common voice for everyone involved. We may have allowed ourselves to be talked into a recession, but now it's time to talk ourselves out.

At Barracuda Search we are putting our money where our mouth is and urge others to do the same. We have announced an initiative whereby if a UK retailer engages our services we are prepared to take the final

third of our fee in its shares or use that fee to buy shares in the company.

The UK is renowned as a nation of shopkeepers and for standing up to and smiling in the face of adversity. In recent months we have been beaten down. Now we need to get back on our feet and fight. As Churchill also said: "Never, never, never, never give up."

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