

Want a recession-proof business?

By Jean Latz Griffin
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Bank umbilical cord blood. Host a small guest resort. Or sell really upscale products and services, such as customized lawn care, a raw meat diet for show animals or professional-grade sports equipment.

Ask business leaders and consultants about recession-proof businesses and you get examples that go far beyond the inevitable death and taxes-related occupations.

But most are also quick to point out that any business can be vulnerable to an economic downturn and any business can take steps to protect itself from a financial roller-coaster ride.

“To protect against a recession, a business needs an inventive, flexible team that learns together, practices competitive intelligence together and collaborates together,” said industry consultant and analyst Steve Koss, who specializes in the business of large stadiums and other sports and entertainment venues.

If Koss’ advice sounds like a tall order, it is. But he points to Churchill Downs, Inc., which owns Arlington International Racecourse in Arlington Heights, as a example of a company that faced a potentially rough year in 2001, but through good planning, came through on top.

Robert Decker, executive vice president and chief financial officer of Churchill Downs, said the company rode out the recession by anticipating it and instituting “Project Discipline,” to minimize its effects.

“We are somewhat recession-proof to begin with, but we also watched our expenses very carefully and cut back where we could,” Decker said. “Arlington Park fit in perfectly. They stepped up to the plate. As a result of hard work from all parts of our company, we

were only slightly down from what we would have expected without a recession.”

Besides horse racing, several other types of business that provide upscale products and services are relatively immune to hard economic times.

Spring-Green Lawn Care, Corp., headquartered in the Plainfield/Naperville area, has weathered at least three recessions since it was founded in 1977, and is also doing fine now, said Tom Hofer, president and CEO.

A three-year-old Santa Clara and Lodi, Cal., West Coast startup, “Grandad’s Pet Foods,” supplies a high-grade raw meat diet to owners of show dogs and cats, breeders, veterinarians and zoos—including many in Illinois. It has grown so quickly that it has hired a business consultant to help with the rapid growth, according to spokesman Brett Sharenow.

The Cord Blood Registry, which banks umbilical cord blood for parents as a protection against the possibility of future blood-related illnesses, has experienced very little slowdown over the past two years, according to Bil Paul, executive director of the San Bruno, Cal.,-based agency.

Easton Sports, Inc., of Van Nuys, Cal., which designs, manufactures and distributes the technologically advanced sporting equipment used by the pros (or wannabe pros flush with cash), has actually increased during the downturn, according spokesman Matt Kovaks. Easton’s products are sold in stores such as The Sports Authority.

“It seems like in slower economic times, it takes longer for the effect to get to our customers,” Hofer said. Spring-Green is one of the nation’s leading lawn and tree care service companies and draws many of

its Illinois customers from Du Page County and the northwest suburbs.

“People who seek out our lawn care services are more affluent with quite a bit of disposable income,” Hofer said. “We’d rather have good times, but even in hard times, we are able to maintain ourselves and even grow.”

Lawn care businesses are high margin, low overhead operations with a low break-even point, which means the financial risk is less than in other industries, Hofer said. Spring-Green has company-owned facilities in Plainfield and Addison and franchises in Northbrook, Cicero, Yorkville, Kankakee, Peoria, Minooka, Champaign and Decatur.

But what do you do to protect your bottom line if you don’t have a naturally recession-resistant business?

Former Chicagoan Tom Mulhall, who was an accountant in Chicago for 15 years before opening a small luxury guest resort nine years ago in Palm Springs, says some of the same tricks that inoculate a business like his from economic downturns can help any business.

“We deliver excellent value for the money,” Mulhall said. “We have larger rooms at lower cost than the larger, fancy hotels and offer a more personalized service.”

Asked how to recession-proof a Chicago-area business, Mulhall said: “If you are in retail, diversify. If you’re in the suburbs, promote ways to encourage Chicago business, and vice versa. If you are a brick and mortar business, develop an on-line business.”

Denise O’Berry gives four general guidelines to help any business keep going and growing even in hard times.

“Focus on customer loyalty and retention, minimize debt, involve employees and be visible to your customers, your employees and your community,” said O’Berry, president of The Small Business Edge Corp. in Tampa, Fla. “Success in business is a lot about who knows you and what your company does. Make sure your marketing and public relations is done consistently; don’t just market when business is slow.”

And, of course, there are taxes. Eva Rosenberg, tax consultant who calls herself “the TaxMama behind taxmama.com,” points out that recessions actually add to the inevitability of taxes—and her income.

“My business definitely qualifies, especially because, whenever there is a recession, Congress passes new tax laws, and my income increases,” said Rosenberg, who offers “Tax Information with a Mother’s Touch” both on-line and off. “Between audits, unpaid taxes, unfiled tax returns and other unfortunate issues, we will do well.”