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# "What Crisis are we in and how to survive?"

AEB Anti-Crisis Forum

Contribution of Simon – Kucher & Partners



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Moscow, May 27th 2008

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## About Simon-Kucher & Partners

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- **Worldwide Strategy & Marketing consultants**
- **Clear focus: Revenue-driven profit growth**
- **Core competency: Strategy, Sales, Marketing/Pricing**

# Global Presence

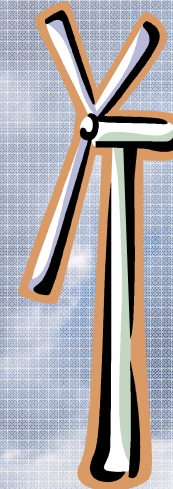
2008: 18 offices, >485 employees, Revenue: €98 million (2008)



## Think about this sentence

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**"When the storm comes,  
some build walls,  
the others build  
windmills."**



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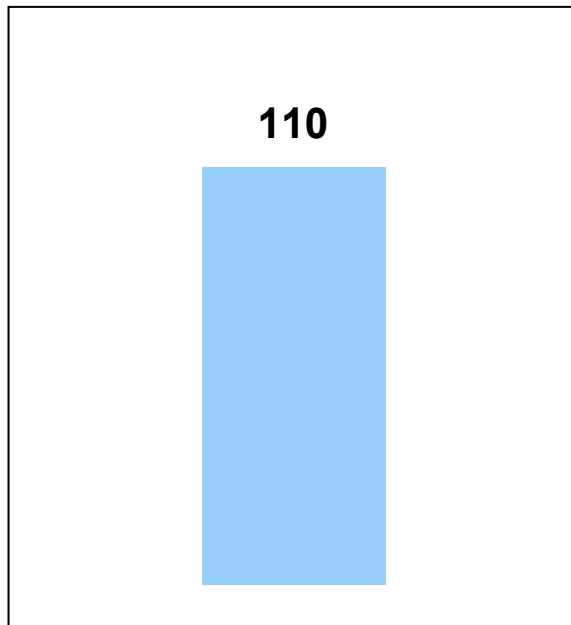
# What Crisis are we in?

# Do we understand this crisis?

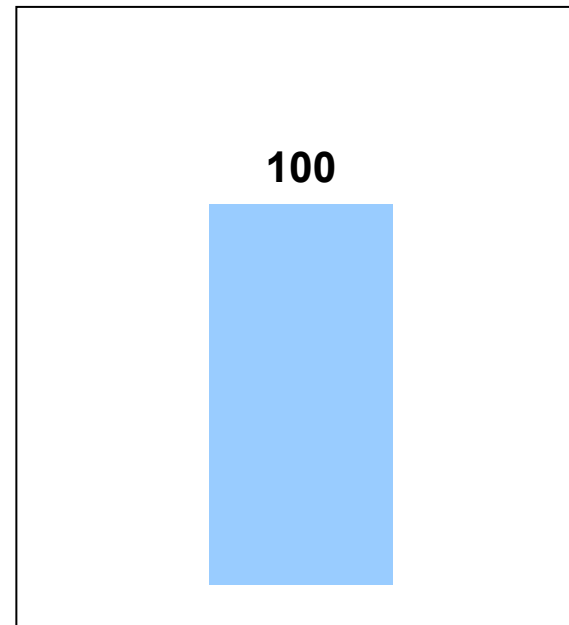
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What was it like in the past "boom years"?

**Demand**

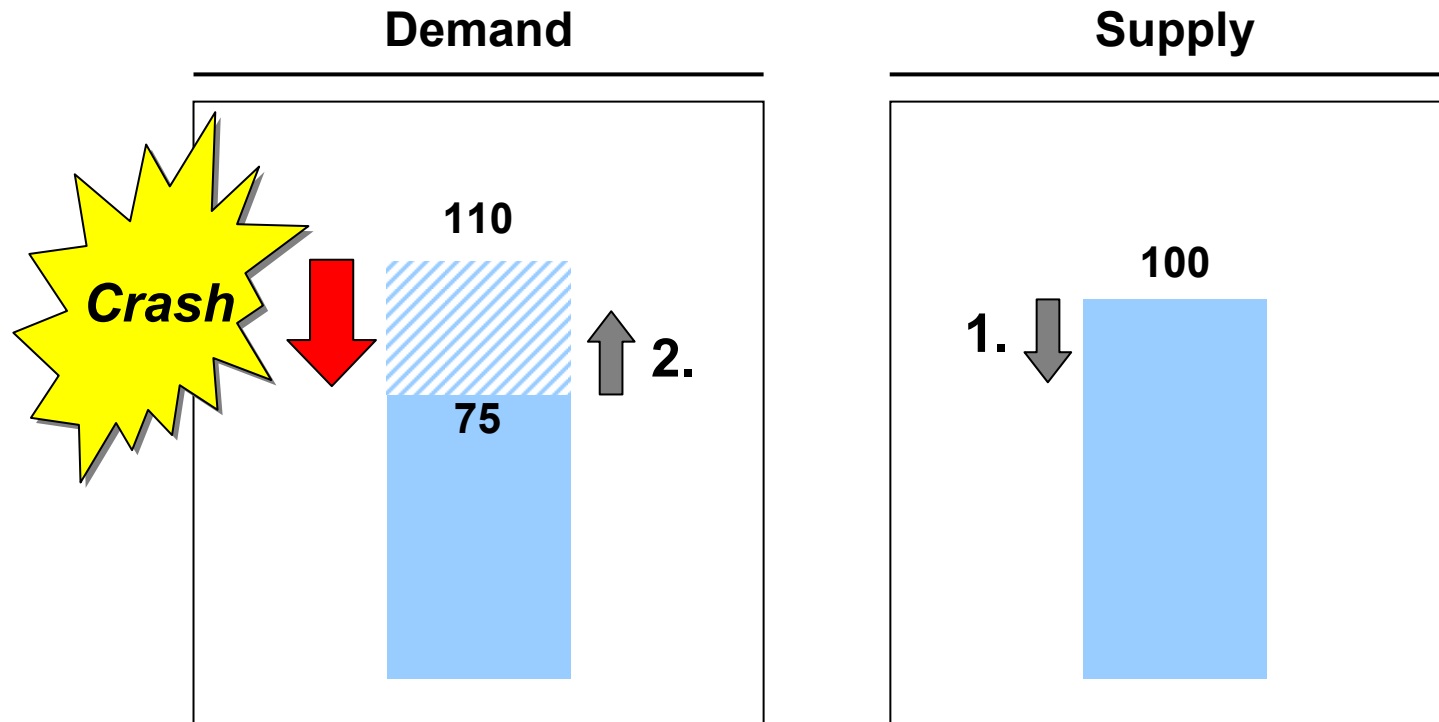


**Supply**



# This crisis is a sales crisis, not a cost crisis

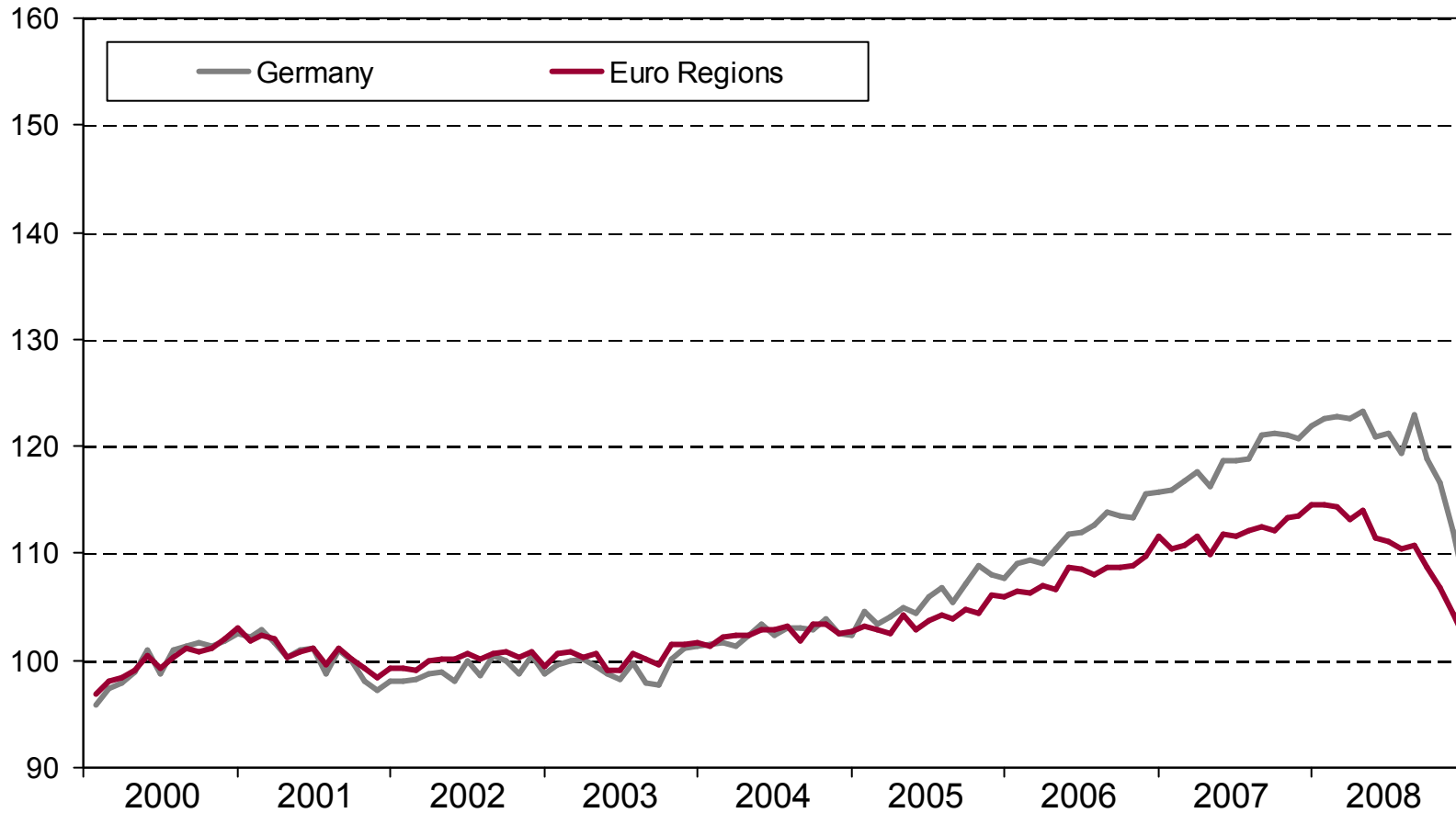
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**What should you do?**

- 1. Reduce supply/capacity**
- 2. Fight hard against volume and price declines**

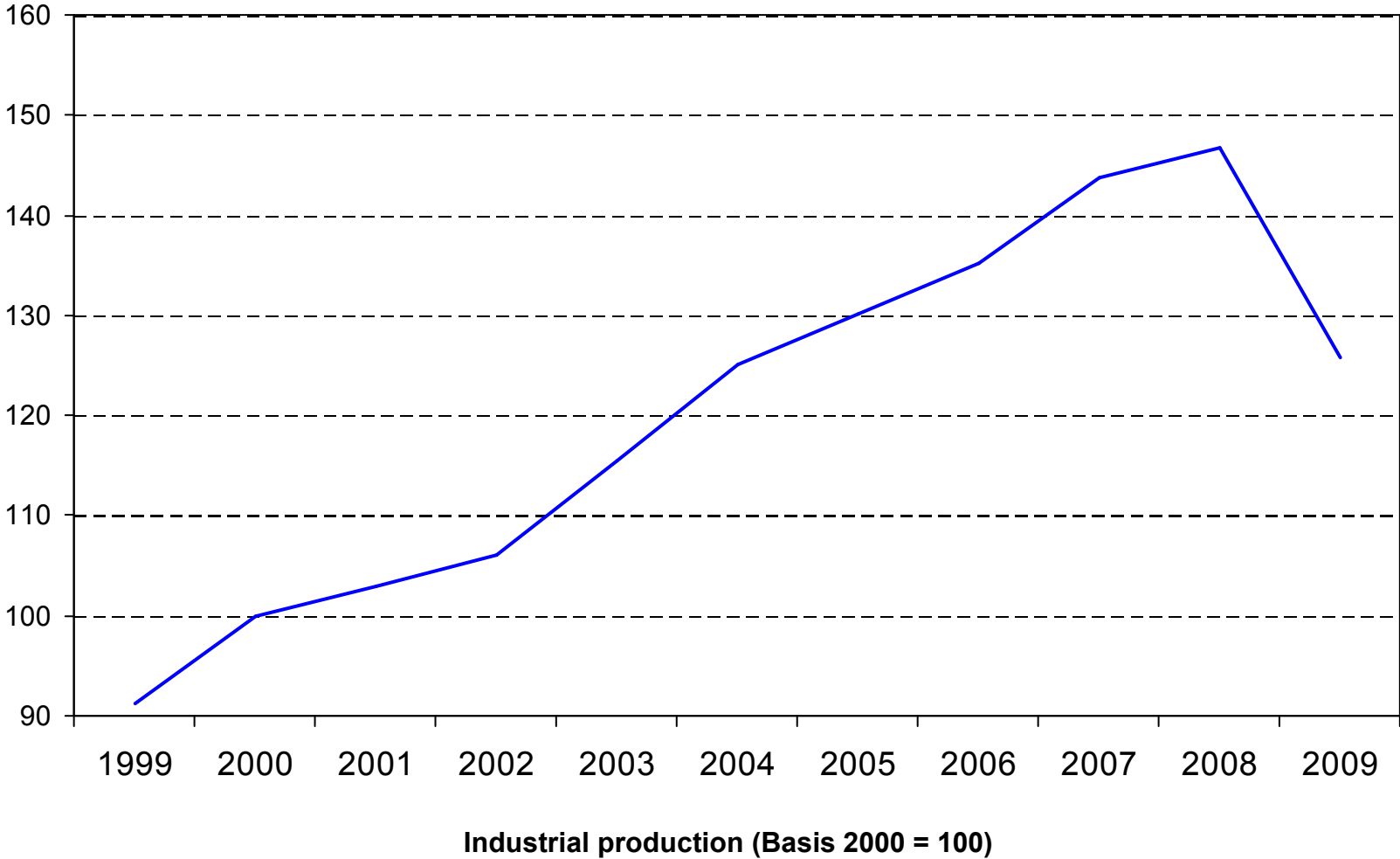
## Perception of the crisis: Steep ascent, steep descent (Germany, Europe)



Industrial production (Basis 2000 = 100)  
Seasonally adjusted, total industry excl. construction industry

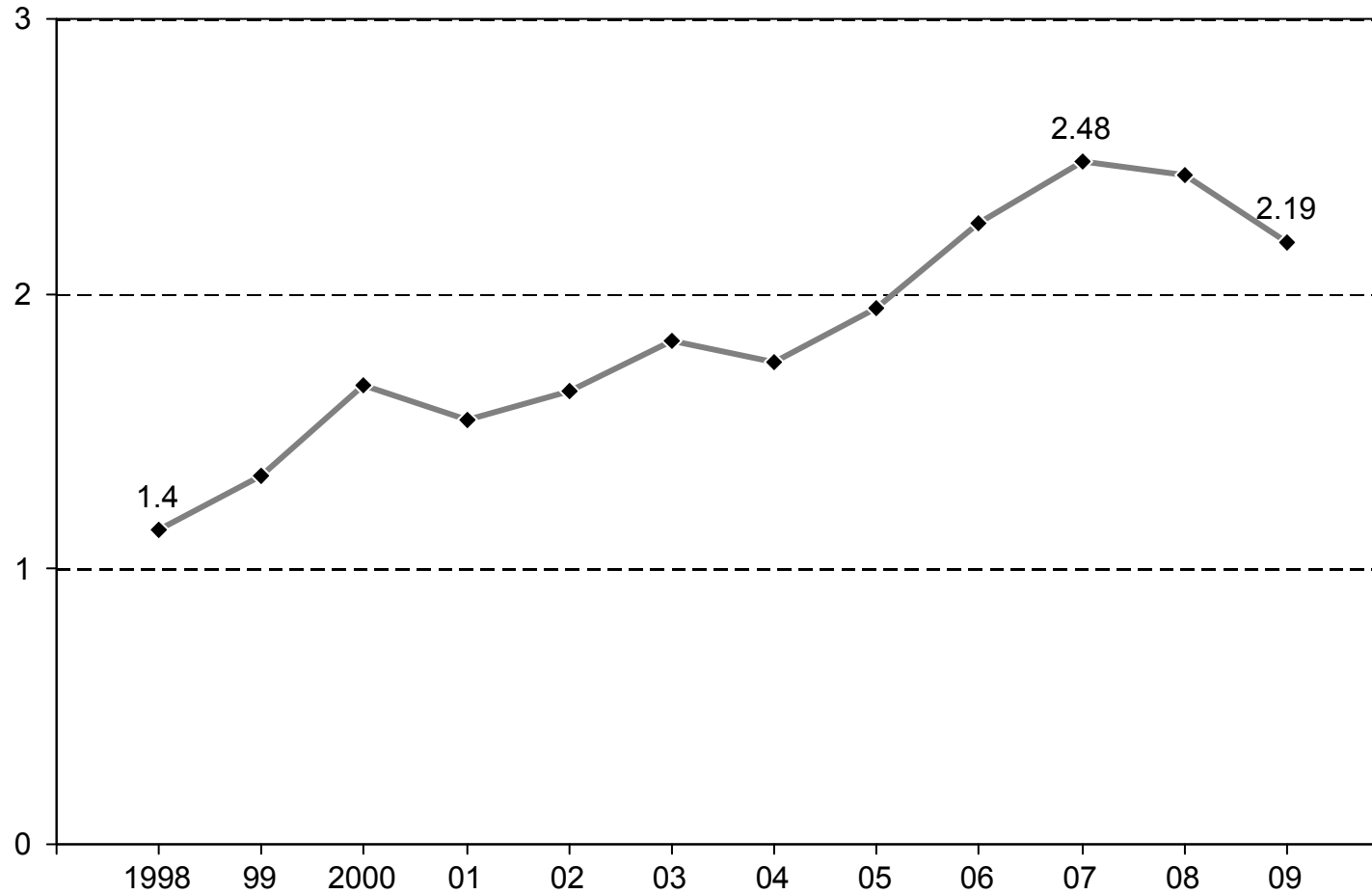


# Perception of the crisis: Steep ascent, steep descent (Russia)



# Fallback to 2007: The case of Wienerberger

Revenue  
(€ billions)



\* Expected revenue for 2009



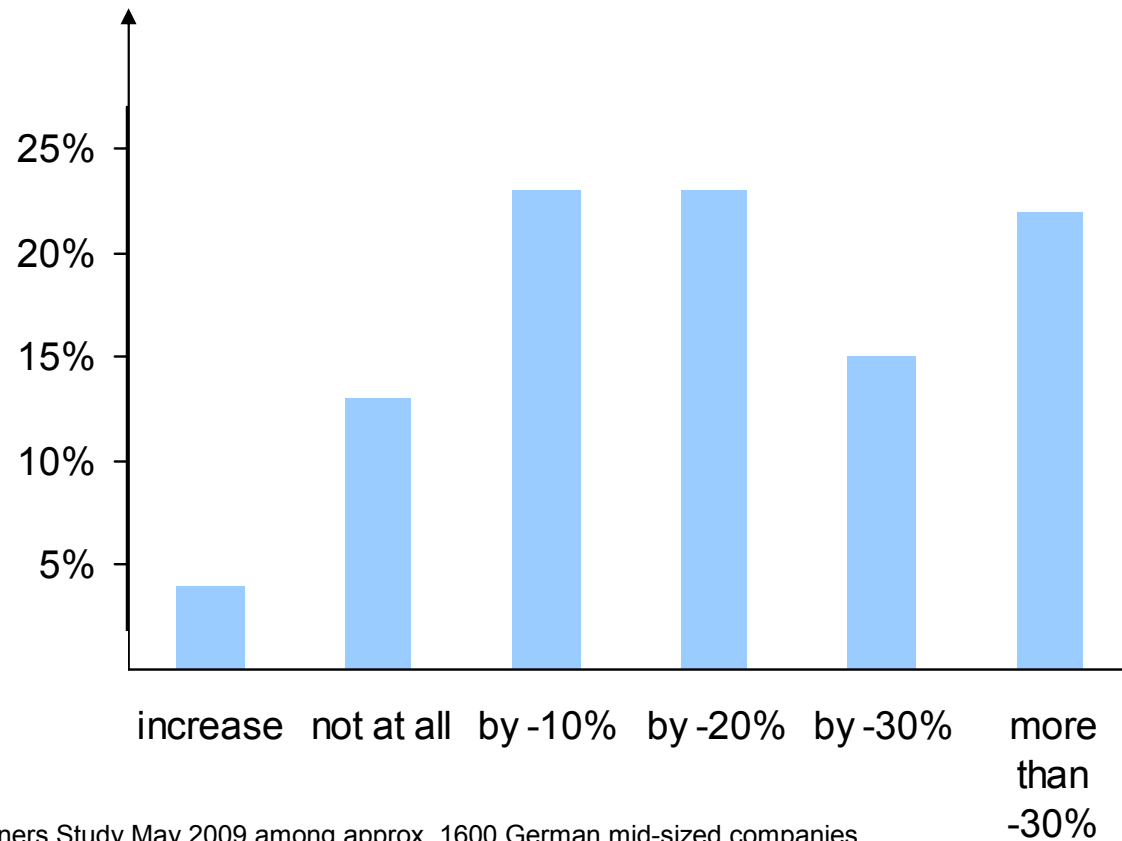
# Study: Significant revenues decrease expected in Russia

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## Impact of crises on revenue

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*If you are actively engaged on Russian market:  
What will be the impact of the crises on your revenue in Russia?*



Source: Simon – Kucher & Partners Study May 2009 among approx. 1600 German mid-sized companies

(AEB Presentation, May 27 2009)

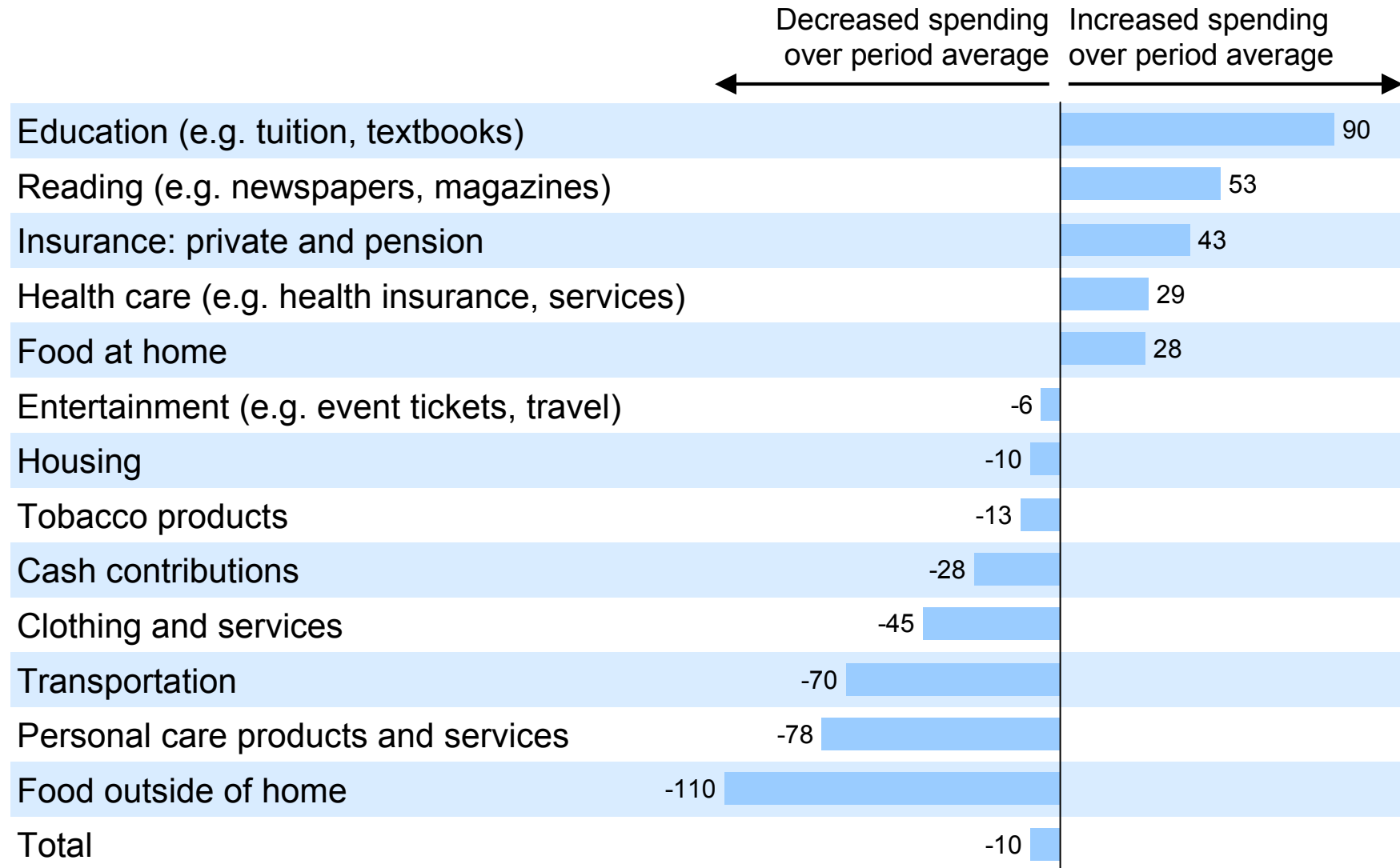
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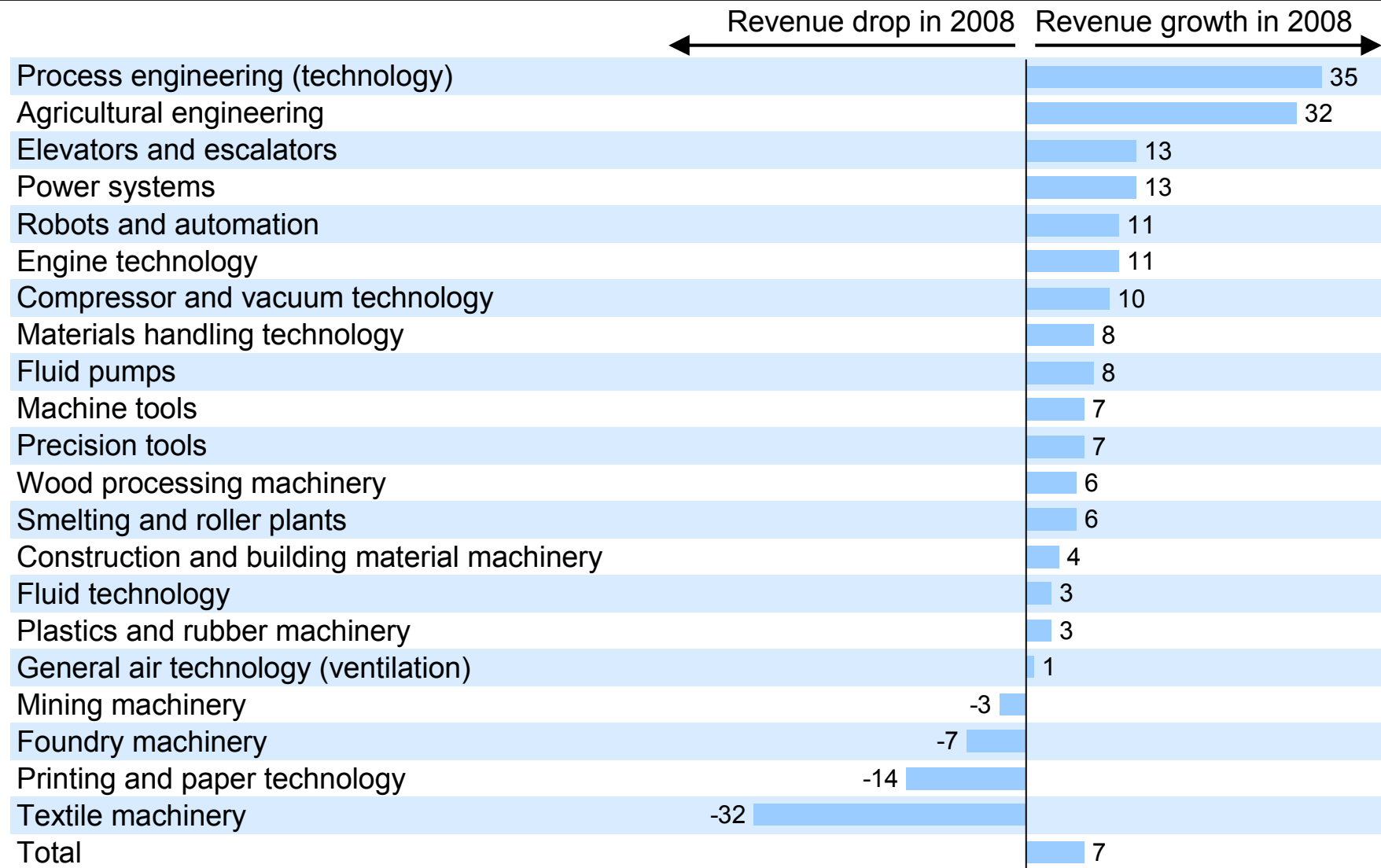
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# Who is affected?

# How crises affect sectors



# How subsectors of an industry are affected



Real revenue changes (in %), January-December 2008/2007

## Individual sectors

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- Postponables (B2C, B2B)
- Fast moving consumer goods
- Media
- Luxury goods
- Discount products
- Services (differentiated)

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# How to survive?



## Costs in the crisis

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- High fixed costs are extremely dangerous in the crisis
  - Remanence
  - Leverage/financing as a boomerang
  
- High (=steep) variable costs are good in the crisis!

## Where not to save

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- R & D
- Laying-off qualified people you will need again later
- Activities with direct impact on sales

## This crisis is too serious...

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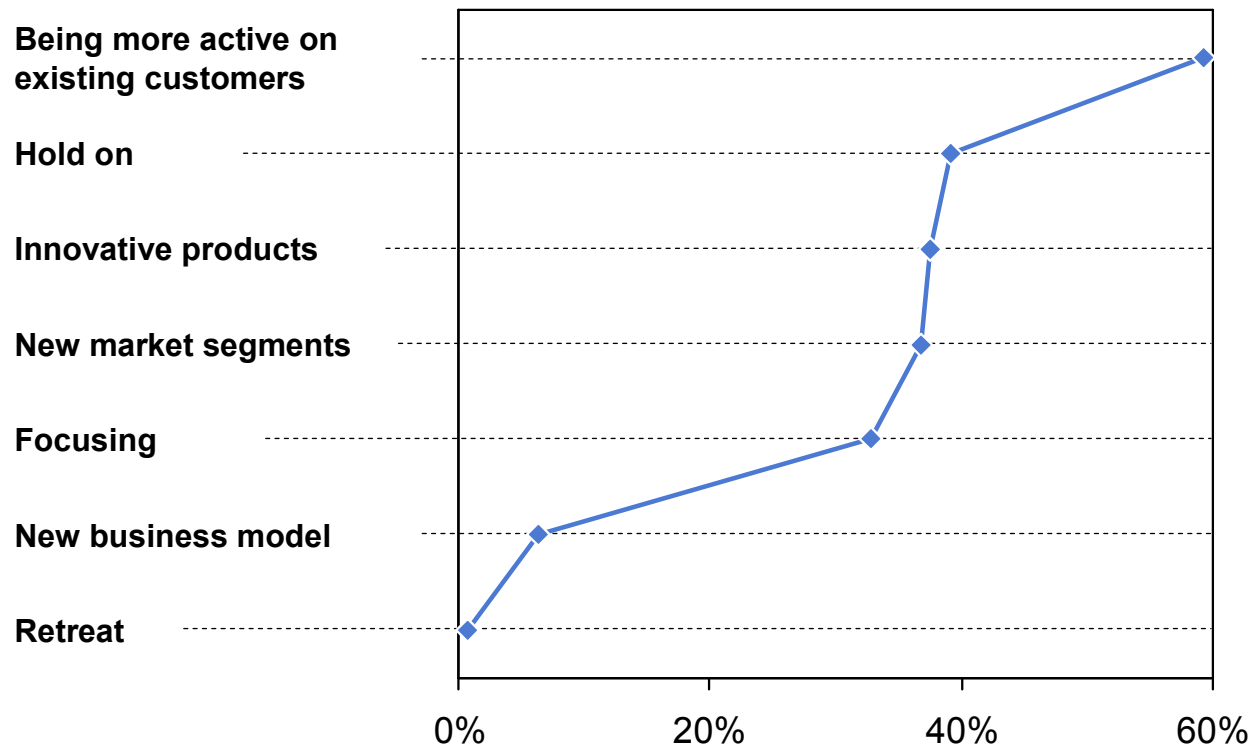
...to counter simply by cutting costs.

- If sales tumble by 30%, even a 10% cost reduction will not rescue the company.
- The effect of cost reductions sets in too slowly.
- In times of crisis, all three profit drivers (price x volume – costs) must be applied to the fullest extent.
- The primary goal must be to avoid a further decline in volume and prices – not necessarily to achieve improvements.
- The speed of the effect is at least as important as the magnitude of the effect.

# Study: Sales Activity will be increased

## Strategy to face current crises

*What is/ would be the fundamental strategy of your company to face the current crises?\**



\* multiple responses

Source: Simon – Kucher & Partners Study May 2009 among approx. 1600 German mid-sized companies

(AEB Presentation, May 27 2009)

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## Case: Vitra's program of quick solutions

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1. Target stable industries and companies
2. Talk to more decision makers at trade shows and conferences
3. Organize more customer events
4. Conduct a "Phone & Coaching" team selling campaign
5. Use internal staff for telephone sales
6. Systematically activate non-active customers
7. Gain new customers with innovative trial leasing offers
8. Promotion campaign for selected classics
9. Create an ideas board for young target groups
10. Launch "boss to boss" selling

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**What is next?**

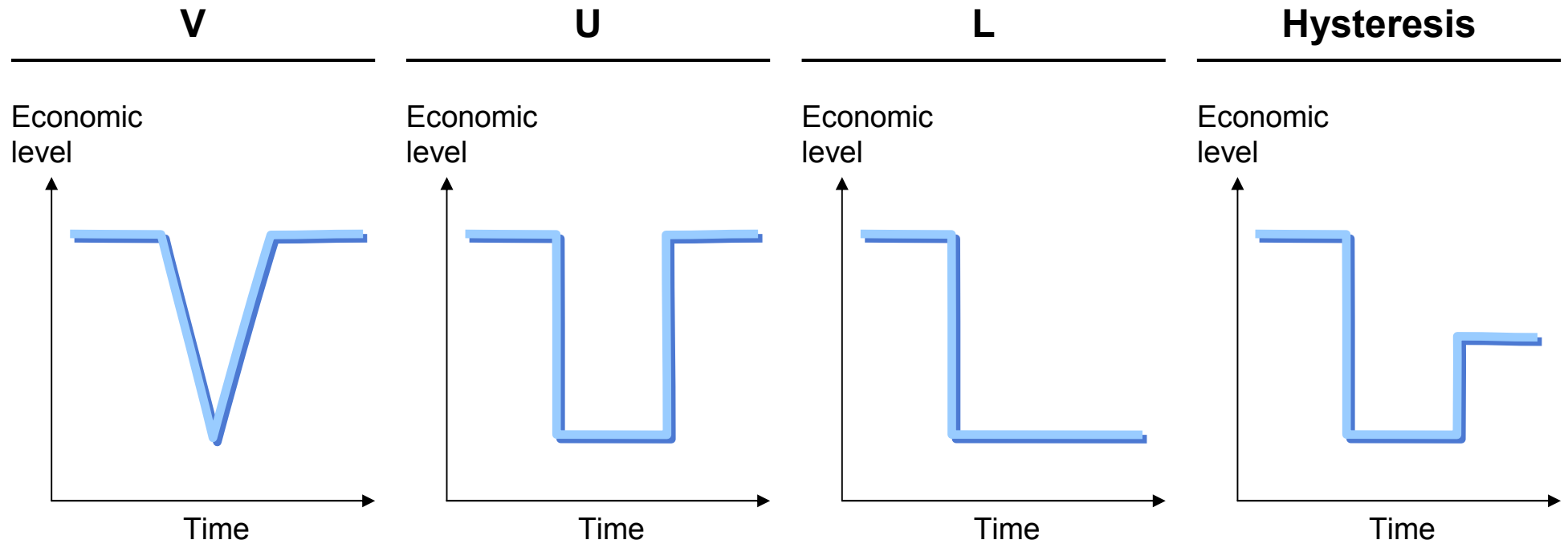
## Beyond the crisis?

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- Course of the crisis: V, U, L or hysteresis?
- Socio-political consequences
  - Social tensions
  - From deflation to inflation
  - Public debt, higher taxation
  - More government regulation
  - Deglobalization
- Worst-case scenarios

# Possible courses of the crisis

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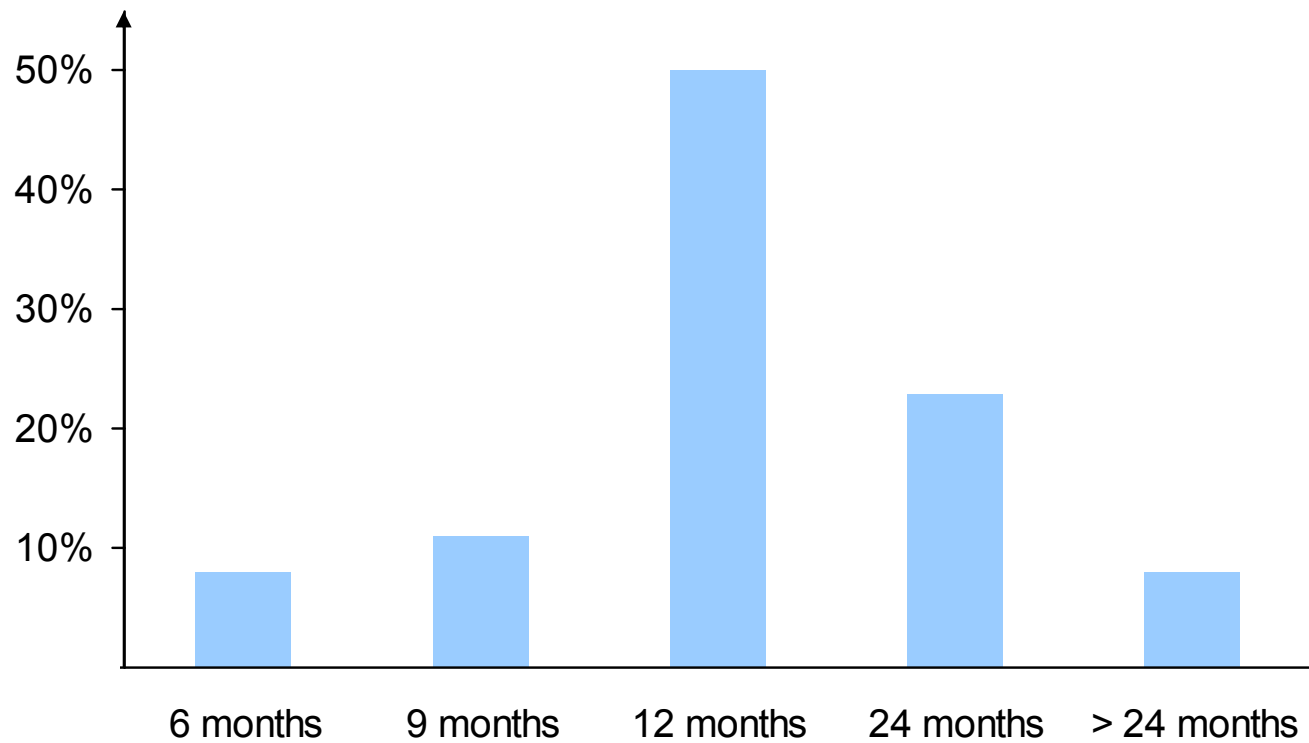
# Study: Recovery in mid 2010

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## Duration of current crises

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*From your point of view: How long will the current crises go on?*



Source: Simon – Kucher & Partners Study May 2009 among approx. 1600 German mid-sized companies

(AEB Presentation, May 27 2009)

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# Study: Investment plans unchanged

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Source: Simon – Kucher & Partners Study May 2009 among approx. 1600 German mid-sized companies

(AEB Presentation, May 27 2009)

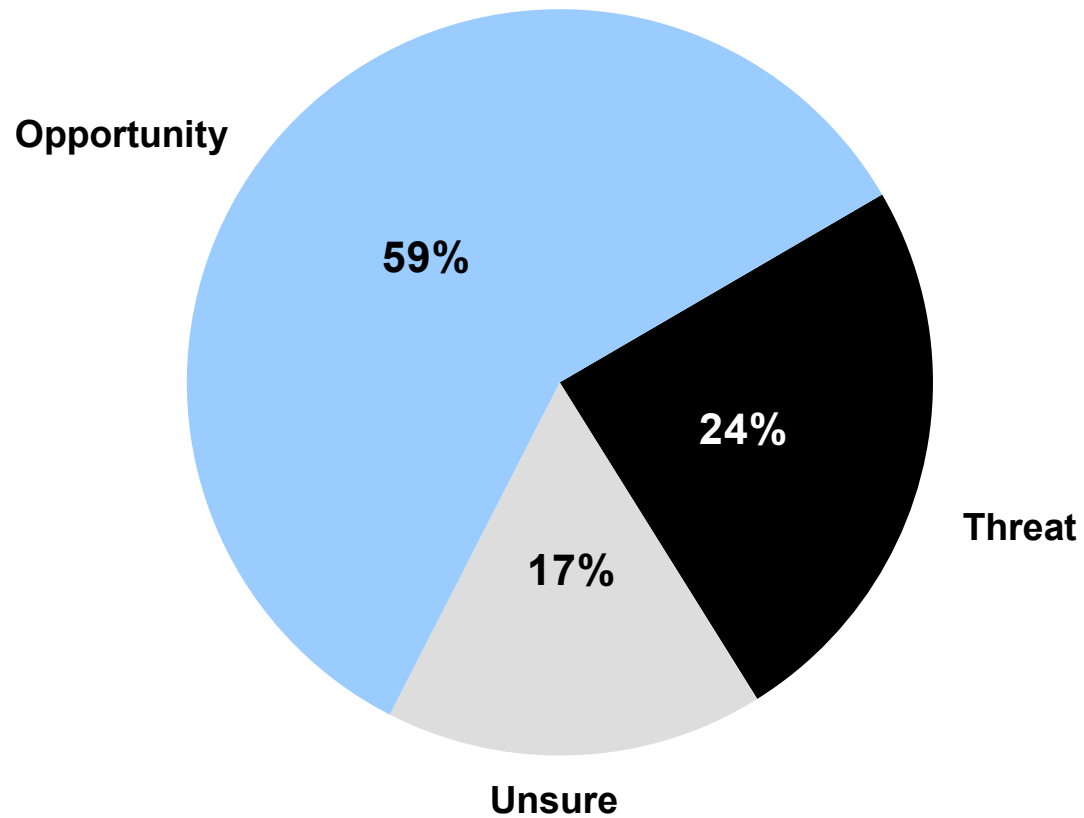
# Study: Current Crisis is an Opportunity

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## Threat or Opportunity?

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*Is the current crises rather a threatening or an opportunity?*



Source: Simon – Kucher & Partners Study May 2009 among approx. 1600 German mid-sized companies

(AEB Presentation, May 27 2009)

# Summary


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- Adopt a realistic and differentiated view of the crisis
- It's a demand crisis, not a cost crisis
- Cut costs intelligently by using multiple cost drivers
- Understand the changes in customers' needs and offer solutions for them, e.g. risk reduction
- The crisis will stay with us for some time
- A hysteresis course is unfortunately most likely
- But: Everything has an end, even the current crisis!

## Our point of view

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**33** Quick Solutions  
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**33 SOFORT  
MAßNAHMEN  
GEGEN DIE KRISE**

.....

WEGE FÜR IHR UNTERNEHMEN

## Harald L. Schedl: Partner/Shareholder Simon–Kucher Partners



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- **Responsibility:** Leader Competence Center Manufacturing; Managing Partner Vienna/Warsaw/Moscow
- **Service Focus:** Specialization in Strategy, Innovation, Sales and Marketing/Pricing.
- **Recent Events:** AEB “Anti-Crisis Conference” in Moscow; International Conference "Top Management: Challenges and Limits of Competition" in Minsk; “German-Russian Talks” sponsored by Quandt and the Bosch foundation in Baden-Baden
- Next to **multinational companies**, Mr. Schedl also consults many **small- and medium-sized companies** on various strategic issues
- Besides his **industrial background** with ThyssenKrupp he has **over 13 years of consulting experience** (also with Roland Berger and Deloitte Consulting)
- Mr. Schedl is an **author** of numerous publications and a regular **speaker** at big conferences
- Mr. Schedl holds a degree in **management science** and **industrial engineering**