

in this issue

Strategic Thinking

The Ripple Effects of Oil and Agriculture

Strategic Action

Controlling Costs

Industry Snapshot

Airlines and Transportation Costs

Reading List

The Adventures of Johnny Bunko

By Daniel Pink

Announcements

About Trek



trekking

a newsletter on practical strategic thinking and action
issue #49: inflation dangers lurking

editor's message

We have written a lot about the economy lately, focusing on the recession facing many market segments. What we haven't discussed is inflation, which may become an equally difficult challenge.

This month in Strategic Thinking we talk about where inflation is coming from, and in Strategic Action we examine what that means to your business. Our Industry Snapshot shines the light on what all of this means for airlines and transportation, and our Reading List features *The Adventures of Johnny Bunko*.

strategic thinking

The Ripple Effects of Oil and Agriculture

We are entering times of inflationary pressures. Rising commodity prices appear everywhere for business, from heating oil, gasoline and diesel to food products containing grains to insurance premiums. The causes for the increases can be traced to greater global demand for many commodities (including oil and other energy sources), the decision to include corn-based ethanol as a way to reduce oil demand (with its cataclysmic effect on food prices), and a weak dollar.

Some of these increases have a significant impact on the cost of doing business. Rising fuel costs will be reflected in higher freight costs for the transportation of goods, more expensive airline tickets for traveling executives and sales people, and continuing higher costs of employing full-time staff.

Its better to be proactive about this and incorporate these higher prices into your projections now. And be ready with contingency plans if the prices go any higher. Read on for ideas from Michael on how to do this.

-Mary Adams (adams@trekconsulting.com)

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strategic action

Controlling Costs

It's time to take a step back and examine the components of the cost side of your business. Consider and act on the following questions:

- What can our company do about energy costs? The less you consume, the more you also become "green" by reducing energy demand and greenhouse effects.
- What can our company do about rising transportation costs? There are shipping alternatives that are less expensive. Find out which ones would be acceptable to your customers.
- Are there options on employee benefit costs? It is time to call in your benefits provider and sharpen the pencils for next year. There are some creative solutions that can be surfaced with some research.
- Are travel costs under control? Make sure your travel department is as efficient as possible.

This type of questioning can be asked about many different components of your company's expenses. It takes some perspective and different thinking to protect margins in inflationary times. The sooner you address these challenges, the better off you will be.

- *Michael Oleksak (oleksak@trekconsulting.com)*

industry snapshot

Airlines and Transportation Costs

While the airline industry model has been flawed for some time, the impact of skyrocketing fuel prices has caused severe turbulence. Smaller airlines are closing down, unable to successfully pass on fuel costs, and filing bankruptcy as a result. Many of these bankruptcies will result in liquidation.

Mergers are taking place, with the most recent big deal being Delta's takeover of Northwest. Many overlapping routes will be eliminated and the number of flights between cities will more than likely decrease—as will many Northwest jobs along with them. After all, airline mergers are supposed to be effective because of cost reductions—meaning a reduction in flight routes, equipment and people.

All of these changes undoubtedly will result in reduced competition and higher ticket prices. These events also can be expected to flow over into air freight. If the airlines raise their prices, it will give room to other transportation segments to do the same.

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We recommend keeping a sharp eye on these developments and how the higher costs will affect your business.

reading list

The Adventures of Johnny Bunko

By Daniel Pink

Mary participated in a breakfast meeting with Daniel Pink on a sunny morning in the Back Bay of Boston a couple weeks ago for a “Bunko Breakfast” to learn about his new effort. For fans (like us) of his previous book, *A Whole New Mind*, this new book is a fun and interesting sequel. Or maybe *illustration* is a better word, because this new book is actually a demonstration of the power of the six “senses” identified in *AWNM*: design, story, symphony, empathy, play and meaning.

Pink uses these senses to literally tell the story of Bunko in a comic book. After studying the manga (<http://www.japan-zone.com/modern/manga.shtml>) industry in Japan, Pink decided to write the first manga business book for the U.S. market. Through the story of a young professional trying to develop his career, Pink brings alive six basic lessons (Pink apparently likes the number six) of what is billed as “the last career guide you will ever need.”

During the breakfast, Pink made the point that so much basic knowledge is available on the internet. When people need information today, they’ll go to the internet. A book, in his view, needs to do something more—to make a connection, create an experience, or help you digest information. And he has shown us graphically the power of one medium to make this happen.

The life lessons in *Bunko* are very good. But the lessons he teaches us about communication by using a comic book are equally powerful. Read the book and pass it on to a young person getting ready to make their way in the world. You will each get something out of it.

Rather than have me tell you the lessons, begin to experience them on the Johnny Bunko blog and book site (<http://www.johnnybunko.com/>).

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announcements

Webinar: How to Leverage Your Intellectual Capital for Growth and Profits

May 29th, 2008
1:30 - 2:30 pm EDT

Marilyn Edelson of IT Decisions Coaching will be hosting Trek Principal, Mary Adams, in this webinar to introduce IC Rating™ and talk about the connection between the intangible side of business and the tangible results on the bottom line. For all our Trekking subscribers that have been reading our ideas about intangibles and intellectual capital, here is an opportunity to get a much better feel for how we help our clients build better businesses by focusing on their intangibles. The webinar is open to all.

Learn more about it or register now (<https://www2.gotomeeting.com/island/webinar/registration.tmpl?id=979948275>).

The Exit Planning Exchange (XPX) will hold a Networking Night on Wednesday, June 4 from 6 pm to 8:30 pm at the Waltham Doubletree. It will be a good chance to meet other trusted advisors to business owners from the Boston area.

To register in advance, please call Cheryl at 508-440-4104 or e-mail Cheryl@exitplanningexchange.com.

about trek consulting

Trek Consulting LLC helps companies to face the challenges of growth, building value and dealing with change. Since 1999, we have been a valued partner to business owners and leaders on their arduous journey to business success. We know that we cannot make this journey for our clients, but we can make it easier and more successful. We focus on getting you the best information available, facilitating sound planning and decision-making, making sure you have the right skills and resources to face your challenge, and coaching you through the roadblocks that invariably arise along the way.

Our clients report improved market focus, greater revenues, better margins and increased profits. To learn more about Trek Consulting and how we can help you improve your company's results, visit us on the web at www.trekconsulting.com or call us at 781-729-1008.