

**Tom Mazza Consulting
Recession Recovery Survey
February/March 2010**

by
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Overview

Tom Mazza Consulting collected data from an online survey between February 18 and March 4, 2010. The purpose of the survey was to find out how business owners and managers in the luxury transportation industry are coping with current economic conditions, some strategies they have used to maintain their businesses, and their thoughts about further recovery.

Respondents

Thirty six respondents provided the information that you will see in this report. All 36 are in the luxury transportation business. Twenty (55.6%) of the respondents have been in their current business for 15 or more years. Seven (19.4%) have been in their current business between 11 and 15 years. Five (13.9%) have been in their current business between 6 and 10 years. Only 4 respondents (11.1%) have had their businesses for less than 5 years.

Changes Made in the Last 3 Years

Of the 36 respondents, only 2 believe that their business has not been affected by the recession. The remaining 34 companies have made major changes due to economic changes of the last few years:

Table 1: Changes made in the last three years

Change	Percentage of respondents	Number of respondents
Attended workshops or seminars	75.0%	27
Downsized number of employees	58.3%	21
Sold equipment	58.3%	21
Outsourced certain tasks	19.4%	7
Reduced marketing efforts	13.9%	5
Hired a consultant	13.9%	5
Changed locations to save money	5.6%	2

Respondents were able to choose any number of the options presented and most made more than one change in the last three years. Most of the respondents (75%) attended workshops or seminars to educate themselves before making changes. The most likely changes were downsizing employees and selling equipment. The least likely action was

to change locations to save money. Other popular changes were outsourcing certain tasks, reducing marketing efforts and hiring consultants.

Fourteen respondents chose to add an explanation for the changes they made. Those explanations were categorized and ranked by the number of respondents who focused on those particular issues:

- 1) **Monitor Spending** – most explanations including the monitoring of overall spending and cutting costs wherever possible. Some examples are cutting yellow page ads, using more e-marketing, changing chauffeur pay scale for new hires, extending the life of current vehicles, hand washing vehicles, switching insurance carriers, and cutting telephone lines.
- 2) **Increasing Value** – Some companies added to their level of service to increase the value of their services. This includes changing the focus of their businesses to services and not the equipment.
- 3) **Vehicle Maintenance** – a few explanations included increasing the life span of vehicles and selling off older vehicles that have costly repair and maintenance histories. One company changed the color of all vehicles to silver to increase time between cleaning.

Recovery from the Recession

Most respondents (63.9%) believe that they are recovering from the recession, 36.1% (13) are not recovering. When asked how they determined whether or not their business was recovering from the recession, 83.3% of respondents replied that they used financial reports. Other determinants were new inquiries from clients (69.4%), networking with industry colleagues (38.9%), and current number of clients (36.1%). Other references were number of lost clients (22.2%), and news reports (11.1%).

Six respondents chose to give answers that were not among the choices presented in the survey. Three of those respondents used ride counts as their source of information about their current condition. One respondent uses informed intuition. Another respondent doesn't see his business' recovery starting until the second quarter. The last respondent explained that their expenses are higher than income, even with cuts. That business is being supported by the owner's personal savings.

Opinions about the Recession

The final question in the survey was an optional, open-ended question that allowed the respondent to give their opinion based on their first hand experience. Fifteen respondents chose to share. The following responses are unedited:

- 1) We are trying to do more with less. We have not cut customer service items such as waters, sodas, liquor, ice cleanliness etc. we "refurbishing" rather than buying new. we are maintaining our customer service issues. The economy has created a new environment that we a challenged to figure out.
- 2) Never cut quality, repeats can keep you in business

- 3) I believe the "worst" will last another 9 - 12 months. Once we are over that, I think it is going to be a slow climb upwards. Too many companies have been taken over by the financial departments in their companies and these bean counters rarely understand the value that we deliver to their employees and clients.
- 4) The recession killed us almost and it was time to reduce the fleet and to license the less good members of the staff.
- 5) We have been in business since 1989. We have never seen things this bad. We have always been careful with the money, but it seem like no matter how much we try to cut expense we can't stop the bleeding of money out verses money in. We have lost a lot of business and the new "ex-taxi" drivers that have come into the limo/ sedan business are destroying the industry by charging less than taxi prices. Everyone is cutting prices and back stabbing each other more than ever to survive. I have been on unemployment for a year and in the past two months we have not been able to pay my husband his salary from the business. Our accountant told us we cannot both go on unemployment and still keep the business open, she said it will cause us problems with state employment services. Our fleet is completely paid for. but all vehicles are at least 9-10 years old. Have been kept in beautiful, excellent condition, always garaged and well maintained. The 1998 stretch limos only have 70,000 miles. It is very hard to let local competitors know we are in such trouble. We have always been looked up to in the community as one of the most secure, well established companies. At 56 & 58 we know our chances of getting a different job are very slim. I am open to merging, but my husband is not. He wants to sell, but I just don't think anyone will buy. The stress is killing me, there is no happiness anymore and I see no light at the end of the tunnel. Our sales have dropped 60%. The last place we have left to cut expense is to move out of the garage- office space we have been in since 1990. But we have 3 stretches, 3 sedans & 1 mini bus, 1 SUV...we cant park all of those vehicles at our home.
- 6) The recession seems to be coming to an end, but many operators such as myself are in recovery mode and will remain there for an unknown period. Ride counts and revenue numbers have been on a healthy increase for the past 5 months. However, it will take much longer than 5 months to recover from the damage that has been done to most of us over the past 16-18 months. We need to repair credit, rebuild relationships with financial institutions and put some money in the bank before I would call it over. With that said, the outlook and current mentality is much more positive today than it was 4 months ago.
- 7) I think there may be light at the end of the tunnel by early summer. I know we are a lot busier then some of our competitors through the chauffeurs talking at the ports, however we are trying think out of the box to generate new income streams.
- 8) Biggest threats: gypsy co.s (a washing place with 3 sedans tinted windows parked in visible place in NJ), no OL plates?!; wrong advertising (10p. 120"?! manufacturers told me they only make 8/9p.). Thanks
- 9) Great newsletter this month!
- 10) Our company is a little over 2 years old - opened in December 2007. Starting the business at that time has allowed us grow slowly, and as a newer company, we

did not start out with a very large fleet. The impact we felt from the recession was likely much less than larger companies in our area, since we had only 6 vehicles to start. We did not have to downsize, but looked for ways to make our 6 (now 7) vehicles realize a profit.

We started to realize a profit in early 2009, and our 2010 is off to an even better start.

We looked for streams of business with year-round potential customers to grow our client base. Since we are in a highly-touristed area (Southwest Florida/Naples), we focused on earning business from the hotels and resorts in the area. We are now called on by four major hotels and resorts in the area.

- 11) We are in a unique market and due to our client diversity, we stayed profitable, while a few of our larger competitors did not. We chose to add additional in-house sales and increased our marketing efforts. We are up 30% first quarter, year to year and are in the process of moving to a larger facility in order to continue preparing for growth.
- 12) Clients believe that only good service companies remain. Now they are looking for the best value for the money. The usual marketing rules no longer apply.
- 13) The full recovery from "The Great Recession" will be years away. Business will not be the same as it once was. Clients have down sized, reduced travel (this is the area that is first cut in all economic downturns, whether it be a general recession or just a particular company looking to reduce expenses) to conserve cash.
- 14) FEELS LIKE THINGS LOOSENING UP
- 15) It is going to be a slow and thoughtful process (by both buyers and suppliers) to get back to historic levels. I think we are going to see baby steps throughout the year, unless another unforeseen catastrophic economic event presents itself (ie Stock Market tumble, Feds raise interest rates considerably, etc.) I expect business "get back to usual" towards the end of 2011.