

*Written for and presented by Ricky Hartzog, MD, Southern Motor Holdings, for the annual end of year presentation, as a follow on to the announcement of the company's results, performance, etc.*

But, what of today's uncharted business landscape, and our place – and future – within it? As you're very aware, 'recession' is the word on everyone's lips, and has been the global buzzword across every market in almost every country for over a year now, although in South Africa we've only 'officially' been in recession for a couple of months.

Along with 'recession' we also repeatedly hear other expressions of total negativity, such as 'credit crunch', 'bail out', and 'retrenchment'. But there are a few exceptionally dynamic and proactive companies and individuals who are speaking a completely different language, using exciting words like 'opportunity', 'efficiency', 'streamlining', and my personal favourite, 'reinvention'.

These exceptional people have welcomed the financial upheaval as an opportunity to recreate their company's structure, be discerning about the staff they retain and employ, and wisely use the available resources. They have embraced the 'adapt or die' theory of business evolution, and are leap-frogging their competitors in the race for market supremacy.

And I truly believe that Southern Motor Holdings is already firmly placed ahead of our competitors in the race for the luxury motor market. While many dealerships have closed their doors, and general motor vehicle sales are down a staggering 40% or so year to date, we have retained our gross profit margins. This is no accident; at SMH we have a number of unique and enviable corporate characteristics that ensure we'll continue to trade positively in this negative climate, including

- the ability to maximise use of all incentives offered by manufacturers;
- enjoying working capital;
- being privately owned, which allows us to be flexible in our decision-making process;
- owning our own properties, therefore giving us control over the rentals we charge;
- our stakeholders are our managers, and vice versa;
- knowledgeable, passionate, committed, and driven staff;
- our staff are also actively involved in the direction and growth of the company;
- our business model allows us greater adaptability; and
- we all speak the language of opportunity and success.

Combined, this means that not only will we survive the recession, but we'll be the undisputed market leader in our class when we emerge into the inevitable economic upswing towards the end of 2009 or beginning of 2010.

Other winners in the long run will be the handful of forward-thinking international governments and car industries that have reacted creatively and developed a number of highly innovative counter measures. One such clever initiative which already seems to be having a positive effect in Europe is the 'scrapping' incentive, where owners are given a lump sum towards a new car in

return for scrapping their old vehicle. In America, a sizable tax incentive on cars up to \$50,000 is available.

Back home in South Africa there are more manageable opportunities for success that we should be seizing with both hands right now. While our competitors are displaying the traditional knee-jerk reaction of freezing their assets and limiting growth activities, we should be following the example of the visionaries by developing new strategies that are designed to encourage growth on an individual and business level. Some examples of these include

- Make a plan: move your stock

We should be aiming to move our cars in no more than 60 – 90 days, even if our profit margin is smaller than usual. This not only gives us good stock turnover, but it allows us to have the necessary cash flow to seize new opportunities.

- Make every sale count

In today's economy, every sale is an important one. Give every deal, no matter the size or value, the time, energy, and focus it deserves, and maximise each deal wherever possible.

- The right staff

Now is the time to employ the very best of the talent that's on the market due to redundancies and insecure working environments. New *and* existing staff must be highly skilled, knowledgeable, and motivated, because such people are more capable of delivering on both performance and profitability, giving us that all-important competitive edge. Retaining our good staff is also cost-effective, better for morale, and improves the opportunity for repeat business than hiring new staff unnecessarily. So, it's vital that we continue with our training programmes and to live our company ethos through each individual staff member.

- Customer service

Today, a great product at a competitive price isn't enough; customer satisfaction throughout the entire purchase process – and following through into after sales service for the life of their car ownership – should be the basic foundation of any sale. Be prepared to 'go the extra mile', and take the time to craft the best deal you possibly can based on each individual customer's needs, wants and budget. Remember, retaining business is easier than winning it, so stay in touch with your customers and push the after sales market. Our CRM processes as you know are well developed, and are an effective tool for customer management. Remember, loyalty is key.

- Strong brands

We're in the fortunate position that it's easy to believe in all the brands we sell, because they're amongst the leading car names on the market today. Stylish, technologically advanced, and well priced, their strong branding gives us the edge and allows us to sell with confidence. Therefore, it's vital that we use their reputation as a leveraging tool during discussions with our customers.

- And, finally - Our attitude

Quite simply, do you see the glass as half empty or half full? Do you believe that you're going to have a good day today, or will it inevitably be bad, just because it's tough out there? The way you approach whatever you do determines its outcome, every time. Ensure that you have a bright and positive attitude and think: 'Would I feel good about buying a car from me?'

There have also been recent positive economic developments that give us cause for optimism. Of particular help is the repeated reduction in interest rates. Starting the year at 15% and already enjoying four consecutive cuts, we expect the interest rate to be down to around 10.5% by the end of the year. A number of petrol price decreases have also given the consumer some encouragement. All that's good news.

And, thanks to various conservative and forward-thinking financial mechanisms that the South African monetary authorities put in place a number of years ago, we haven't felt the full impact of the financial meltdown, and will get off lightly compared to America, the UK, and even Asia. In fact, analysts expect that emerging markets such as ours will be the first to show signs of recovery. As always, nothing is as bad as it looks if you approach it positively.

You've all heard the old adage, 'when the going gets tough, the tough get going'? Well, there's no disputing that times are tough out there. But, we're not only tough, we're smart, dedicated, resilient, and up to the job. So, let's all be fluent in the language of opportunity and optimism, welcome the challenges we're constantly faced with, and know that by doing so we'll come out of this stronger and more successful than ever.

Thank you.