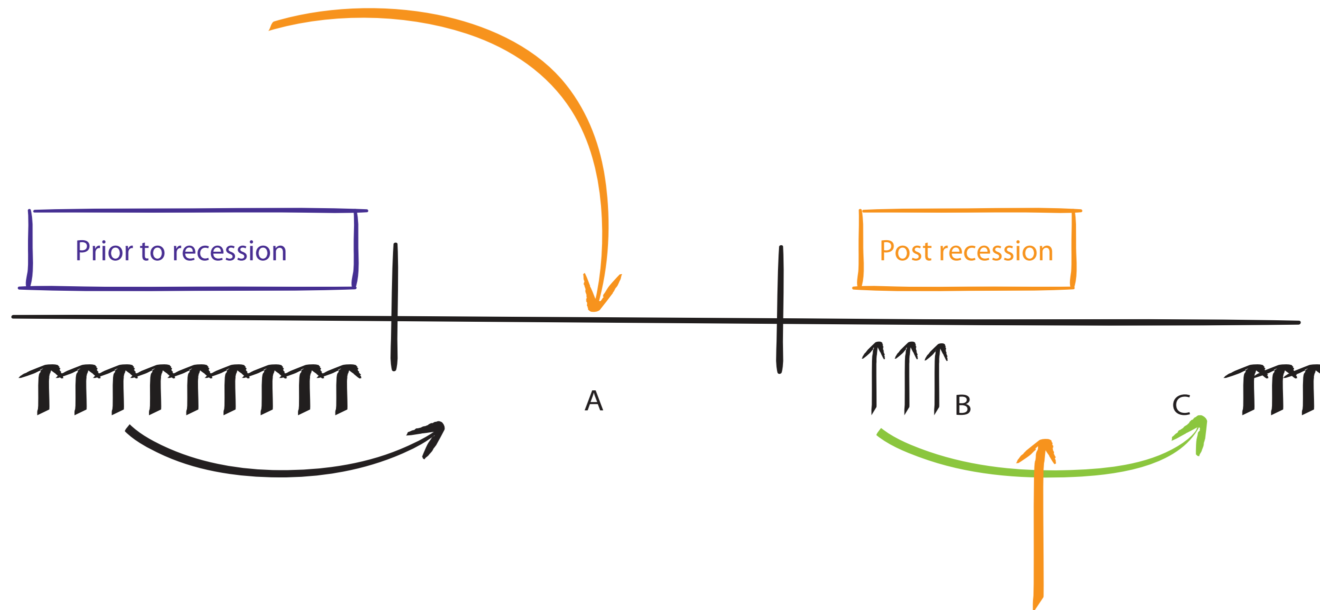
The First Wave:

The Big Bounce

The difference between a mild recession and a deep Recession like 2008/09 is this period (Point A).



During a DEEP recession all investment just stops dead. This is radically different from a MILD recession where businesses continue to invest during recessionary periods (albeit at significantly lower levels).

The Key Points:

- The resulting impact occurs post recession at point B. This is where investment starts again.
- Point B is called "The First Wave" – think of it literally as the first wave of investment back into businesses/the economy.
- It then takes 9 to 18 months to get a return on these investments illustrated by the green arrow, and point C.
- The period between point B and point C is called "The Second Wave" illustrated by the orange arrow. During this phase businesses cease investments while they await cash returns from the first wave of investments.
- Point C is where there is plenty of cash back in the economy and businesses return to 'boom times'. The thickness of the arrows indicates the size of investment levels. Point C is referred to as the "Third Wave".

The First Wave:

Markets bounce out of recessions – the stock markets do it, the exchange rates do it, commodity prices do it – all markets bounce. This means that economies also bounce out of recessions. The last four global recession markets bounced by at least 30% in the six months following the recession.

If we look to the 2009 recession, the bounce started on 9th March.

Out of deep recessions economies bounce into the first wave. Businesses that are geared and ready for this bounce participate in the first wave of investment/spending. They pick up the new contracts on offer and win new business. This brings in cash and helps them get through the second wave where there is NO Investment i.e. NO CASH.

There are some key messages about how businesses behave during the first wave:

- They buy very differently from boom periods – they are a lot more cautious about where they spend their investment dollar, they are keen to prove ROI even before they buy and their risk reward matrix is much lower.
- That said they are also very keen to spend. It is like 'letting the dog off the leash to play games after being locked up all day' – businesses are keen to get back to good times and feel that investing will help them get there. Thus they will typically make decisions fairly quickly during the first wave. This is counter intuitive to the cautious risk matrix they are playing out.
- The result is cautious purchasing decision making – but they make decisions fast; it is not a long drawn out process.

Because of this the supplier that is chosen in the first wave is often the one that went to market BEFORE the first wave started with their new innovative packaging and products. They build relationships with customers before the recession ends and they reap the reward of this investment.

At our next client conference, "Thrive: Catch the First Wave", learn what platforms you need to put in place for your business today to be able to leverage the uplift in the market. Darren Shirlaw will spend two days looking at how and when to get into the market.

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