



The B word

If you're from the UK and haven't been trapped inside a hermetically sealed box for the last 2 years you may have heard that we're leaving the EU! That dreaded B word 'Brexit' is probably making you want to turn off the TV, Radio or any other media source such is the volume of it and none of it seems to be good news.



I'm blogging about this, as firstly George from Think Smart Software asked me to and he's a really nice guy and secondly I want to help allay people's fears at this moment in time.

Now to clarify, I don't have a crystal ball and I can't predict the future, so I know as much of what's about to happen as of today's date (13th of Feb) as you do and probably about the same amount as our 'right honourable' members of parliament do, judging by how smoothly the process has gone.

I'm not going to get into the why's and wherefores of Brexit and my opinions on it. I certainly have my opinion, but so does everyone else and we're a very divided country because of that so the last thing I want to do is increase that polarisation.

What George has asked for, is my opinion on how Brexit will affect the kids activities industry, in which I've been in for 26 years and have helped hundreds of clients to grow their businesses in, from start ups, all the way up to £100m turnover businesses.

For those that don't know me or have never heard of me, as I said, I've been in the sector a while and was a partner in and MD of a large provider in the sector, that franchised to 61 countries and worked with 1.1m kids a week at the peak. I sold my shares in that organisation about 10 years ago now and began helping others in the industry from the biggest franchised names that you've heard about down to small start ups. In simple terms, I help ambitious clients to achieve their goals and overcome their challenges they're finding in trying to grow.

I think this time-frame of experience and hundreds of clients I've helped gives me a good platform to give my opinions on what I think may happen in the sector.



Now, as I said, no-one (least of all the politicians) know what's actually going to happen after the end of March and indeed in the years to come after that. I've looked at economic reports from incredibly smart behavioural economists I trust who predicted things like the credit crunch and they don't know, as it's an ever moving feast and depends on the decisions made as they have ramifications.

What I'm focussed on is the possible effects the the sector affected by the overall economy. Even before Brexit was a possibility, these economists are predicting a slow down very soon which may come quicker or slower depending on Brexit and may go into a full recession.

If we do go into recession, which triggers panic amongst people, because there might only be 0.1% difference in growth between a slow-down and a recession but the word has connotations for people that mean they worry about what will happen to them and their jobs.

So, a slow down or a recession may happen but having been through the biggest recession since the great depression of the 1920's in the form of the credit crunch my advice is don't panic, keep calm and carry on as the famous slogan from the civil service goes.

Please feel free to contact us and we look forward to hearing from you. Thankyou

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At the time of the credit crunch, I was running the large kids activities franchisor I mentioned previously and I was in a peer to peer business advisory group called Vistage, that although very expensive was very beneficial because it helped me to make better decisions and grow our business faster than the rest of the sector. I now run a similar sort of group but for businesses in this sector giving all the same benefits but with more sector specialisation.

My experience in this group was, that all the other 11 members of the group all wanted advice on how to stay afloat, how to avoid going bust and to get through the approaching storm. When it came round to my turn to speak and they asked how the business was going, it was generally great. We were selling up to 6 franchises a month, were expanding into loads of countries around the world, had lots of major blue-chip sponsors interested in us. The franchisees were generally doing well too, growing and mostly happy with how things were going.

My group didn't get this and it's not because I'm some sort of business genius (as much as my ego would like to tell me I am), it was because of the market we dealt with which although not recession proof is less vulnerable.

If you're a parent yourself you'll understand, as we marketed to parents with kids from 6 months upwards and what we found was, that was these parents concerned as everyone was about the recession, were cutting back on discretionary spend just in case they lost their job (which is how a recession works, people panic and spend less, thus making it worse). Now people did sadly lose their jobs but stats point out that it's usually not as big as people worry about and most keep their jobs, so not actually that many were made redundant, it just makes the headlines when a big company does it

and often people receive a decent pay out and walk into another job so they even might be better off.

People panic though, because of what they see and hear in the media and this discretionary spend goes right down. So if you're a parent you'll cut back on all your own stuff like the gym, going out, meals, drinking and treats for yourself. Lots of industries are hit really hard by this behavioural economic effect. Fortunately for us and hopefully for you, the last thing parents cut back on was their kids. If you think about most parents it's the same. If they did cut back, we were the last activity to feel it as we delivered a really good product and had really good customer service.

There's a reason that parents send their kids to providers like you, whether they fully understand all the social, emotional, physical and mental health benefits (we can cover some of these in a future blog) that you help their child with, or whether they just see it as childcare, they value it and see the effects it has on their kids in tangible and intangible ways. So, they'll smoke, drink and go out less but don't stop their children doing sport, dance, drama, music, martial arts etc etc because most parents put their kids first and are prepared to go without themselves first. This isn't to say any parents won't use it as an excuse to stop, but often it's an 'unreal objection' (we can cover those in a sales to schools and nurseries blog if you want) and they were probably going to leave anyway. Even really great businesses have a churn of kids.

So, you can't just sit back and think you don't need to do anything because you still need to market and worst case scenario you need to market harder and better than usual (this is something I help most clients with coming from a marketing background as most want to get more and better customers). You'll still have to work hard and any recession sorts the wheat out from the chaff. Weak businesses, who have poor margins, aren't run as well as they could be and don't adapt or continue to work as hard or harder may go under but that's because they aren't that well run and the wider economy is just exposing that.

Another principle I used at the time was something that was taught to me by England's rugby world cup winning coach Clive Woodward about mindset. We were fortunate to work with Clive for a brief time at Southampton FC and he had a principle

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called 'Control the Controllables' i.e. don't overly worry about things you can't control and focus on the things you can. You can't control what the economy will do and the effects of Brexit, what you can focus on is: how hard you work in your business, how much marketing you do, how well you do that marketing and how much effort you put into your existing customers. So, Brexit maybe everywhere but unless Mrs May is reading this, you can't affect it, so focus on the things you can and your own business. One other benefit for the sector is that a good business in the sector shouldn't only be working with kids activities being paid for by the parents. There's hundreds of millions of pounds a year going into the sector from schools and nurseries and I help my clients to access this. This may be less affected by Brexit as funding in education (although it's a political football in itself) might be less vulnerable to these behavioural economic patterns. The other principle you need to think about too, if in the unlikely catastrophic event that business does go backwards is to be adaptable, shrink and grow your costs in line with revenue, you need to be able to adapt if you lose a big contract or lots of little customers. Just adapt to survive. I have been involved in businesses that have struggled and usually it wasn't about the economy, it was due to the fact they'd not been run that well for a good while and we've had to make some tough decisions to keep the whole thing afloat but we've adapted and ridden out the storm.

It will be a storm too, despite my misgivings about Brexit being a good idea (oh dear, I've given away my position on it if you couldn't already guess), you just have to ride out tough times and they may not be the most enjoyable but it's about survival and then making hay while the sun shines in calmer times. We're a very resourceful and hard working nation so we'll get through whatever happens and this sector isn't going away because the physical, social, emotional and mental health issues that your activity helps kids with aren't reducing according to all the reports and the sector is here to stay and will continue to grow. On another side note, as I mentioned franchising and as I help lots of clients set up to franchise or to grow their franchise networks and to help the franchisees grow, I should mention this a bit. Generally, according to reports by Nat West and the BFA, franchised businesses are generally stronger and more hardy than independent businesses. They tend to last

longer for a number of reasons that I can go into on a franchising blog. Also, due to the uncertainty with people's jobs it tends to trigger people into looking around into their options and franchising is an option that people often consider when they're looking for a change so there's often a lot of interest in new franchisees for the franchisors reading this blog. You have to capitalise on this of course, as you can't just sit and wait for the phones to ring.

I'm generally a glass more than half full type of person and see things as such, so I won't probably change the opinion of the extremely negative people and I'm perfectly happy to debate the subject or for people to think I'm talking rubbish (as they're entitled to their opinion), but my opinion is that if you have got a fundamentally sound business now, are positive, control the controllables, work hard or harder, market really well, focus on keeping your existing customers, be adaptable if you need to be then you'll come out of it fine as you may be a lot better off than other sectors that will be harder hit.

If any of you want a free health check that I do for businesses to make sure that you hit all of these criteria please feel free to get in touch as I'm happy to have a chat or even debate the subject above. I hope you've found the above article interesting, thought provoking or debate inspiring

Kind regards
Mark

ABOUT THE AUTHOR:

Mark Rasche is the owner of Sport & Activity Professionals and for the last 10 years has consulted, trained, coached and mentored clients in the kids activities, sport, health, leisure, recreation and franchise businesses market to schools, nurseries and parents and prior to that had many roles in the sector, most notably as partner and MD of ICFDS, which owned and ran Socratots and Brazilian Soccer Schools, which had franchises in 61 countries and worked with up to 1.1m kids per week.

As a side role, Mark is also voluntary deputy chairman of the industry body, The Children's Activities Association, that any provider in the sector should look into for the benefits it provides to them and the peace of mind it gives to their customers. Mark is also accredited and endorsed by the Association of Business Mentors and the Approved Franchise Association.

If you're an ambitious business looking to grow in some way or have challenges you'd like to overcome or both please feel free to get in touch to have a chat to see if we can help you achieve these goals.

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