

North American Management Briefs

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You Should Know...

Wow

A CBS poll conducted in October reported that 48% of Americans believe in ghosts (22% actually claim to have seen one). Also, 40% indicated that they believe in alien abductions.

The Point: Consumer behavior and beliefs are always more complex than they appear.

Very Sad

The *Los Angeles Times* reports that 6,285 Mexicans have died in drug-related violence since January of 2007. That's more than the U.S. fatalities in Iraq and Afghanistan combined since 2002.

The Point: Is it time to revisit our response to the drug problem?

Back to School

Only 75% of U.S. children complete their secondary education, fewer than in Norway, Germany, South Korea, Russia, or Italy reports the *Boston Globe*.

The Point: This bodes poorly for future U.S. competitiveness.

Alaskan Annuity

In 2009 every man, woman, and child in the state of Alaska will receive \$3,269, their share of the state's annual oil revenues says *USA Today*.

The Point: Every man, woman, and child? That's really spreading the wealth.

January's Quote

"Whenever you find yourself on the side of the majority, it's time to pause and reflect."

Mark Twain

Any Good News?

Good news has been hard to come by; however, we believe it's on the way. In Q4 we assisted a number of our clients with their 2009 forecast. We went back to school, examined textbooks, case studies, and both private and public documents on economic forecasting. We are encouraged that 2009 will be much better for business than is being predicted. Our reasons?

- **Governments have resisted the urge to enact protectionist legislation.**
- **The decline in oil prices and subsequently gasoline.** This is equal to a \$200 billion per month U.S. tax cut.
- **The demand for consumer products in China and India will continue to grow in Q3/Q4,** and likely by double digits.
- **Credit is now easily available from regional and local banks,** although not yet from large national banks.
- **Lower interest rates have caused a surge in mortgage applications.** While many are "refi's" they will prevent foreclosures reducing the inventory of vacant houses in the U.S.
- **The Obama administration announced a trillion dollar economic package** which will include funding for infrastructure projects, tax cuts, and tax credits for businesses.

- **Distributors' shelves are empty.** Distributor orders declined much faster in Q4 than did end customer demand. Many distributors simply emptied their shelves after the October panic creating "pent up" channel demand for 2009.
- **Commercial construction continues to grow, but slowly.** Commercial construction was simply not overbuilt.

A warning! The liquidity being pumped into the world's financial system typically results in inflation. This in turn results in a buying binge (similar to what we saw in commodity prices the first half of 2008) as companies buy before prices go up eventually resulting in wage inflation. Watch your direct labor costs.

The Point: First, recessions don't last forever. Second, business cycle volatility will continue to accelerate due to the "coupling" of the world's economic and financial structures.

Highest Earning Dead Celebrities

| Celebrity | 2005 Earnings (millions) |
|---|--------------------------|
| 1. Elvis Presley | \$37 |
| 2. Charles Schultz | \$35 |
| 3. John Lennon | \$22 |
| 4. Andy Warhol | \$16 |
| 5. Theodor "Dr. Seuss" Geisel | \$10 |
| 6. Marlon Brando | \$9 |
| 7. =Marilyn Monroe =J.R.R. Tolkien | \$8 |
| 9. =Irving Berlin =Johnny Cash =George Harrison | \$7 |

Source: *Forbes* magazine, "Top-Earning Dead Celebrities," 2005"