

Hal Bryan – 4/02/09

During the first two meetings, I have referenced economic history to show that present conditions resemble previous market anomalies, which provide us with guidance in making better business decisions and reducing uncertainty.

This evening I will focus on our current situation and describe parameters on coping with its challenges, and constructing the ‘Blue Lakes Model’.

77% of US currency circulates offshore – this leaves American business short of cash and dependent on credit.

Because offshore banks store this cash, the savings advantages accrue to foreigners, while the US savings rate is near zero, making borrowing more difficult.

The dynamics of a cash-based economy are far superior to those of a credit-based economy, which induces great uncertainty.

Business which can operate from a significant cash reserve will have less vulnerability and will be more flexible.

Businessmen should constantly keep in mind that the major bubble was not housing, or dot coms, or the stock market, or even derivatives, but the credit bubble, which, because it affected the currency in which all other things were traded, caused a universal market meltdown when it collapsed.

Once the massive injections of trillions of dollars in highly inflationary bailout money begin to enter the economy, you can expect that markets will be extremely volatile, moving in fits and starts with each new infusion, so that businesses must be adaptable, responsive and inventive to survive.

In sailing terms, the ideal business model will not be an ocean liner that requires the assistance of tugs and takes half an hour to turn about, but a shallow-draft speed boat which can turn on a dime, navigate close to shore and change speed and course instantly.

Expect the speed of transactions to accelerate, as the price rises become endemic.

It will be important to have ready access to suppliers, as periodic shortages will replace current oversupply as inventories are drawn down.

One of the first indices to fall in a declining economy is the transportation index. Businesses which can arrange direct shipment from supplier to end user will have an advantage.

US small business owners should investigate the opportunities of selling abroad in countries with stronger currencies and economies.

“Alta California” may find it can market to the outside world as a combined entity.

Because of a German author named Karl Mai, Germans have a strong interest in the American West, therefore they are a good market for stories and artifacts from frontier days, particularly those of Indians, and they love dude ranches.

California wines are known and prized in most of the world. Europeans might be interested in buying shares in a small winery and having a custom blend bottled for them for use as holiday gifts.

Probably one of the most successful marketing efforts of the last 100 years is the promotion by the Swiss National Tourist Office of the notion that the Alps are synonymous with Switzerland, so that the term “Swiss Alps” brands all such mountains, even though there are the Austrian Alps, the Bavarian Alps, the Italian Alps, the Slovenian Alps, and the French Alps, wherein lies the tallest mountain in Europe, Mont Blanc. Even the Matterhorn, that iconic “Swiss” mountain lies half in Italy, where it is called Monte Cervino.

So tiny Switzerland hasn't the most Alps, or even the highest alp, and only half the Matterhorn, yet it is the lion of alpine tourism. Every winter, tens of thousands of English skiers cram themselves into tiny seats on EasyJet for the nonstop flight to Sion in the Rhone Valley and fill the chalets of Crans-Montana, Villars, Verbier, Grindelwald, Zermatt, and countless other Swiss villages.

Beyond the Swiss' incredible success in marketing is their legendary hospitality and very efficient transportation system.