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Lansner's Big O: Cost reduction powers the recovery

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One of the enduring economic traits of the times is that your boss is cheap – even with a recovery in place.

So one of the sweet spots of business opportunity is helping companies accomplish more with less, so to speak.

Mark Nielsen has found such a niche with his **TextPower** text-messaging business in San Juan Capistrano. The six-employee company has morphed from one that primarily blasted out restaurant discounts to cellphones into one that's a communications specialist for utilities – enabling these organizations to quickly update their customers

with time-sensitive information.

TextPower appeals to the typical CEO's penny-pinching needs by automating the communications process – and doing it dramatically more cheaply than a human operator or even email services. In just over two years, TextPower has amassed a client roster of 50-plus utilities servicing roughly 1.5 million customers. And Nielsen – a former San Juan Capistrano mayor – thinks he can as much as triple his business in the next three years.

"We've uncovered a great opportunity that's been underserved," Nielsen says. "Being able to automate (utility communications) by text message (cut costs to) pennies on the dollar."

Thriftiness has been ingrained in us all. So "measured prosperity" may be the best way to describe the current economic climate.

The TextPower mixture of functionality and affordability is a prime example of the trends I found in the latest edition of my Big Orange Index, a quarterly collection of three dozen benchmarks for the local economy stretching back over the past quarter-century.

This winter, my barometer of the Orange County business climate rose modestly again. It's the 12th gain out of the past 13 quarters. And it's a broad-based advance, with at least five of the subindexes that comprise the Big Orange Index enjoying advances in each of the past four quarters.

Peering inside the numbers, you see that Orange County's shoppers are the economic star. The Big O's consumer confidence measure runs near a five-year high.

With layoffs a distant memory and fresh gains in stock and housing markets inflating households' net worth – at least on paper – shopping is on the upswing. That means Orange County merchants have their largest payrolls in four years.

And shoppers have enough money left over after a trip or two to the mall to let bankers enjoy their best local bill-collection rates in nearly five years.

This consumer buoyancy, however, hasn't fully migrated into executive suites. The Big O's Boss Index fell th



winter for the second consecutive quarter, largely due to shrinking profit growth and a slower pace of local startup businesses.

The Great Recession's steep dive and the ensuing lethargic reversal created a legacy of executive angst. One look at the indicators that make up the Big O's Boss Index highlights some of the worry spots. Profit growth that exploded out of the big downturn at double-digit rates now runs under 10 percent. Investment in commercial property construction is up only modestly. Local purchasing managers expressed some doubts to pollsters. And CEO skepticism is waning but still awkwardly high for a recovering economy.

"It appears so many feel it's safer to play it safe," Nielsen says. "Just hit your numbers ... that's better than taking a risk."

POWER TRIP

TextPower started out in 2009 like numerous players in the suddenly popular text-message marketing game – offering small businesses a way to blast news and discounts to a customer base.

Nielsen quickly saw that the field was too crowded for his company to stand out. But he says it was "fortuitous" – that's CEO-speak for "luck" – that one of TextPower's clients was a Nebraska electricity cooperative. The utility was using the text-message service to alert its biggest users – irrigation operators with massive energy demands – of important service news.

The light bulb went on: Focus on utilities' communications needs. Today, utilities make up 80 percent of TextPower's business.

"Utilities are not the most leading-edge in use of technology," Nielsen says. "Why should they be? They're a monopoly of sorts, so they have no incentive to be leading-edge – particularly in rural areas, where there's even less incentive."

So what does TextPower offer utilities?

The ability to quickly communicate with customers with a widely accepted tool. Remember, you don't need a smartphone to get a text message. The communication can even be two-way, with customers given the ability to text in queries about power outages or other service requests.

And on top of the pocketed savings is the bonus of automation, Nielsen says, "relieving thinking people from mundane chores."

RISKY BUSINESS

Overall, this economic recovery has been unsatisfying for most.

By the Big O's count, for example, the Orange County business rebound has run for 13 quarters – three months past three years – since the fourth quarter of 2009. And yet, mathematically speaking, we've recovered only 62 percent of the losses off the 2007 peak.

One reason for the economic sluggishness may be the corporate loss of pricing power. While a moderate cost of living is a plus for consumers, it can pinch businesses' profit margins. Consider that the regional Consumer Price Index ran at a 1.4 percent annual pace of inflation over the past five years. That's the lowest rate of price hikes for at least two decades.

Nielsen feels this corner-office anxiety, too, when selling TextPower services or when reviewing companies for investments by the Tech Coast Angels, the large Southern California startup investment fund he works with.

"Obviously, there have been a lot of companies that didn't make it through," Nielsen says. "Those that made it through are stronger today for it."

But Nielsen doesn't think this post-recession business muscle is being fully exploited. Too many companies,



he thinks, are too risk-averse and too focused on short-term results – and have thus delayed expansion plans too long. That investment reluctance, in turn, can slow the broad expansion.

"You can only hold off investing in growth for so long; some people just have to turn on the spigot," he says.

So it appears the economy's next twist may very well be when CEOs shed the penny-pinching habit.

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