

# RECESSION BUSINESS TIPS

Note: Some of these tips may be less appropriate for certain businesses. Industry-specific professional consulting may be a valuable tool for surviving a recession. General business counseling may be available at no charge through your local Small Business Development Center (SBDC). Always seek competent financial and legal counsel when making major decisions in your business.

## ✓ **DO** Manage cash flow

Cash is lifeblood. When cash stops flowing businesses die. Follow these tips to ensure that cash flows through properly.

- ✓ Prepare cash flow projections and budget by them.
- ✓ If you extend credit to customers, review and revise credit policies, as needed.
- ✓ Take action to speed up payment from customers (i.e. invoice sooner, list due-by dates, provide incentives, collections, etc).
- ✓ Work with suppliers to secure payment deadline extensions.
- ✓ Renegotiate contracts with landlords, lenders and contractors for more favorable terms.

## ✓ **DO** Improve inventory management

Identify ways to reduce inventory costs without reducing the quality of your offering to customers. For example, how do you monitor your "days in inventory" ratio? Do you have an excess of a particular item? Could drop-shipping some of your products reduce or eliminate shipping and warehousing costs? Could you source the item less expensively somewhere else?

## ✓ **DO** Continue marketing

During an economic downturn, many businesses cut marketing. Instead, step-up your marketing to capture more of the market by standing out while others are pulling back. Further, the law of supply and demand tells us that when they cut marketing it may lead to lower marketing cost opportunities for you thanks to reduced media rates. Consumers may be restless as they consider changes in what they buy and how much they'll pay for it. This is the perfect time to market more. But, it is imperative that your first marketing priority be on retaining and cultivating existing customers. It is far less expensive to keep customers you already have than to generate new customers. Consider these tips:

- ✓ Develop and communicate to all staff a clear strategy for increasing sales per transaction.
- ✓ Fine-tune (or develop) and utilize your customer database.
- ✓ "Touch" customers more; maintain and strengthen relationship with frequent and meaningful contact.

Other inexpensive marketing "Do's" include, identifying "subscription income" opportunities, better networking and more aggressive publicity.

## ✓ **DO** Watch for expansion opportunities

A recession may bring lower prices for commercial realty and be a good time for hiring great employees. Additionally, watch for "customer casualties" of competitors who go under. When it presents itself, seize the opportunity to secure these customers. Likewise, be alert for possible "cheap" acquisition of sinking competitor companies (and their clientele).

## ✗ **DON'T** Worry unproductively

Although you have no control on the world's economy, you do control you attitude and actions. Thus, to some extent you do have control over your business. Avoid incessant worrying. Stay out of the circle of concern and get into the circle of influence. Focus on what you can control.

## ✗ **DON'T** Lose sight of your core competencies

Although many view diversification as a strategy for small business success, especially during a recession, never allow this principle to hurt your business by taking time and money from what you do best. You must focus now more than ever on your strengths.

## ✗ **DON'T** Let your personal credit slide

An economic downturn makes it more difficult to borrow needed capital. With good personal credit you have a far better chance of being able to borrow the money needed to keep your business afloat. Monitor your personal credit rating.

## ✗ **DON'T** Fall prey to scams

When times are tough, we all want even more to believe that there is an easier way.

- ✗ Avoid "something for nothing" thinking.
- ✗ Shy away if you have to pay up-front.
- ✗ Be very leery of "Grant Assistance" programs.
- ✗ Be extremely cautious of "Work-from-home" opportunities.
- ✗ Check Better Business Bureau or "scam-watch" lists.
- ✗ If it sounds too good to be true, it is!