



## Surviving and thriving through the recession

*Some reflections by Stephen Russell-Smith, a Director of HfM and an accredited Business Consultant and who has been actively involved in the business world through the last three Recessions during his career in banking.*

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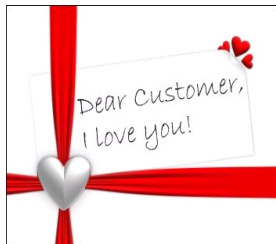
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### 1. The business cycle – it goes round and will come round again

We have been here before. There have been other times in our recent economic past when all seemed doom and gloom; major High Street names going bust; banks shaky and not lending; Chancellors worried. We came through them, and we will come through this one too.

They say this one is different, global, inter-connected. It is true that the numbers are larger than ever. The number of countries affected is certainly greater than ever because of the successful spread of international trade and the growth of the so-called 'BRIC' economies (Brazil, Russia, India, China). Fundamentally however, this cycle is no different from previous ones; it is about the balance between fear and greed, between suspicion and confidence. Sentiment will eventually turn once more and businesses have a great opportunity now to prepare for the next upturn.

### 2. Customers – love them!



No customers = no business! Critically examine your whole 'customer experience'. Ensure your existing customers feel cared for and valued – communicate with them, involve them in the business, ask them how you are doing; use questionnaires, the telephone, face to face meetings; business is about people and relationships. Times are tough for everyone at the moment and those who show understanding of customers' needs now will reap loyalty and regular business in future. Don't forget to thank your existing key customers – communicate, keep in touch, be interested in them and their needs.

Revisit 'old' customer lists, find out why they left, try and tempt them back by offering incentives that don't cost you too much but are valued by customers. Avoid price cutting if possible, aim to add value, offer first class service, combined offers and packages. Work with other local suppliers to come up with inventive and attractive deals.

Review your existing customer base for trends/patterns; who buys, when and how? What are the buying triggers for customers to start thinking about buying your products or services? How can you tap into these buying triggers and steer buyers in your direction?

Be ready and willing to offer new products/services – check with potential customers first to ensure reasonable demand. Don't be afraid to diversify; if there is something you can do that is cash-generating, profitable, legal and doesn't distract you too much from your core business, for example you could try offering complementary products or services, either supplying these yourself or working with another supplier.

To generate extra income from the key skills in your business you could also consider:

- Teaching, running workshops etc at adult education or other venues
- Writing articles for the web, magazines, local papers etc
- Import or export yours or others' products

### 3. Staff – nurture them!



This includes YOU as owner manager.

Aim to work smarter not harder, long hours in the office are seldom productive; ensure you take time off to exercise, relax and focus on something outside yourself and the business, it helps you think and plan.

Communicate with staff; keep morale up without being unreal. Create an atmosphere of seriousness, but NOT solemnity – lighten up, small incentives and lots of praise works wonders. Involve staff in making the business more efficient – agree key targets with them. Ensure that each member of the team uses time and resources in the most efficient way, identify capacity gaps and fill them with training or part-time/contract help.

Identify capable staff who have potential for the future, seek to keep them and develop their skills, they really are your most valuable asset. Consider offering equity stakes to key staff in lieu of cash pay rises. Offer training, it builds vision and expertise; multi-skilled employees are more flexible. Be prepared to deal firmly with those who do not pull their weight. Consider outsourcing work to part-time or contract staff whose costs are easier to control

Consider using a good business mentor to give you perspective and a competent sounding board for those 3 a.m. ideas and worries! *(Note: this is a service that HfM can provide)*

### 4. Cash – is king!

Identify the bottlenecks in your cash flow. Cash can easily get caught up in surplus stock or work in progress.

Critically review all costs, direct costs of sales as well as overheads. Creatively think of ways to enhance cash income from core activities or new 'complementary' activities.

Borrowing – avoid if possible in times like this but, if you are debt then communicate, communicate, communicate with lenders; get names of key decision makers and use them. Give them quality information before it is demanded.

Make sure you get paid quickly for work done. Invoice daily not monthly. Consider asking for prepayments and/or stage payments.

Manage debtors. Ensure terms clearly understood and adhered to. Keep aged debtor records to show who owes you money, sorted by invoice date. Chase late payers, don't be afraid to resort to solicitors letters, consider rewarding early settlement. Consider 'managing out' poor payers, they can cost more than they are worth.



Manage creditors. Communicate, take the initiative in the relationship, provide information to named contacts and understand how their decision-making operates.

### 5. Profitability – the key to long term success

Analyse your current sales to identify profitable products/services (and unprofitable ones). Take action on unprofitable ones (cut lines or increase prices)

Calculate your overall breakeven sales target per week/month (to calculate this divide your overheads by your %Gross Profit margin). Set a target to reduce your breakeven target by cutting costs, culling unprofitable activities or increasing prices.

Review your pricing policy – resist cutting prices. Focus on value not price and seek to enhance value in the eyes of buyers so you can justify higher prices. Remember customers

look for 'value' not 'cheapness' and will pay more for higher perceived value, convenience, peace of mind, quality of service

Review your buying policy for both overhead and variable costs, seek to reduce costs where possible without compromising your basic business model.

Produce and use a budget. Be prepared to revise it *monthly* if necessary. Draw up a series of contingency plans on 'what if' basis so you feel in control of your own destiny; communicate these to lenders if necessary.

## 6. Marketing – blow your trumpet, no-one else will!



Peter Drucker, the American business thinker famously said *"if you understand your customers you understand your business"*. Base your marketing on this understanding of your customers' buying process including what, why, how, when they buy.

Customers are under pressure too so aim to help them save money, time, convenience, peace of mind.

Examine all your marketing materials, web site, ad campaigns and so on. Ensure you are selling BENEFITS not FEATURES

Aim to cross-sell products and services, remember the famous Amazon.com phrase "customers who bought that also bought...." How could you make this work in your business? What 'bundles of products or services' could you offer?

Check that you are getting good return on investment in your marketing campaigns; measure response rates to advertising, ask customers how they heard of you, check statistics from your web site. When times are hard consider spending MORE money, particularly on your web site. Consider spending more time to raise your profile with existing and new customers by telephone and face to face meetings, email, blog, chat room, banner exchanges etc

## 7. Strategy – get ready for the upturn

The downturn in the economic cycle feels like a forest fire, scary and dangerous; but just like a forest fire it clears the undergrowth and creates space and resources for new growth.

Use this opportunity to exploit existing areas of specialism and niches where you already have a competitive edge. Explore possible new areas – look to broaden your customer base, geographically, with new products/services or even investing in related businesses. Target new markets that have similar customer profiles to your existing markets



Set fresh goals for yourself and your business; examine routes from here to there. Plot contingency or fall-back routes. Consider linking with related businesses to offer combined packages that provide good value for buyers

Aim to grow market share at the expense of larger, slower-moving competitors who can't move as fast as smaller businesses.

Look out for opportunities to take business (and good people) from shrinking competitors.

## Conclusion

Yes things are scary at the moment but history provides evidence they will get better. Disaster for one business can be a golden opportunity for another; now is the time to recognise and seize these opportunities, to focus not just on survival now but to prepare to thrive in the future.

HfM can help with all aspects of running your business from business planning and financial management to strategic thinking, market development and long term policy planning. Contact us now on 020 8690 7444 or by email at [info@hfmtax.co.uk](mailto:info@hfmtax.co.uk).