

# Strategies For An Economic Downturn



## Northern California

Small Business  
Development  
Center Network

[www.norcalsbdc.org](http://www.norcalsbdc.org)

# Strategies For An Economic Downturn

Be proactive in addressing the following areas:

- ◆ Solve the Cash Crisis
- ◆ Get Control Of Your Finances and Look At Your Costs
- ◆ Improve Efficiencies
- ◆ Refocus On The Market and Initiate Low Cost Marketing Programs
- ◆ Address Personal and Personnel Issues
- ◆ Strengthen Your Business Relationships

## Solve Any Immediate Cash Crisis

- Organize financial data in one place
- Make a list of the problem areas
- Set priorities for collections and payables
- Determine next day's tasks each night
- Set time frame and goals for cash management
- Contact the local SBDC for assistance



## Collect Accounts Receivable

- Bill customers as soon as possible
- Use aging reports to manage and project cash flow
- Collect everything now
  - ✓ Call everyone - Don't wait
  - ✓ Begin collection for overdue accounts approaching 90 days
  - ✓ Pick-up large checks in person, if possible
  - ✓ *What to say?* Contact the SBDC for specific suggestions
- Set firm credit policies
  - ✓ Require cash payment at time of service
  - ✓ Make all invoices due within 30 days
  - ✓ Send collection letters at 30/45/60 days
  - ✓ Place overdue accounts on COD
  - ✓ Offer discounts for prepayments only



## Contact Creditors

- Prioritize who to pay first — e.g., IRS, bank, landlord
- Complete a cash flow forecast before setting a payment plan
- Talk to decision makers and keep in touch
- Offer partial payments, if possible
- Keep payment promises
- Contact the SBDC for help with projections and negotiation strategies
- Lenders
  - ✓ Renegotiate existing loan terms
  - ✓ Consolidate debt
  - ✓ Request interest only payments
- Past due taxes
  - ✓ Contact all agencies immediately
  - ✓ Respond to tax collection letter promptly
  - ✓ Complete cash flow forecast before agreeing to a payment schedule

## Adjust Prices and Reduce Costs

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- Be competitive in pricing and value
- Revise pricing to improve sales and profits
- Charge extra for emergencies, deliveries and other value-added services
- Eliminate discounts and giveaways
- Ask landlord for rent reduction or restructure to allow a short abatement period
- Rent out unused space
- Reduce personnel expenses — e.g., hire part-time, use interns, eliminate overtime
- Ask vendors / suppliers for trade discounts
- Reduce personal expenditures — e.g., travel, entertainment



## Manage Inventory

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- Review inventory levels every month
- Liquidate everything that has been on the shelves over 90 days
- Sell outdated items at cost, if necessary
- Restock shelves with faster-selling items
- Buy using “Just-In-Time” ordering processes, if possible

## Require Accurate And Timely Accounting

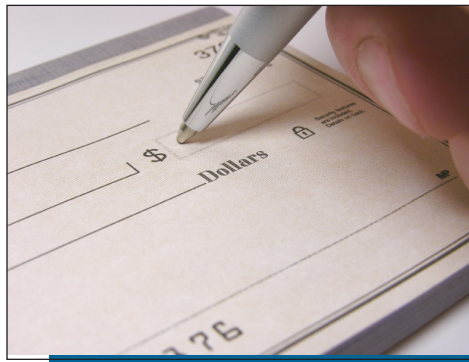
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- Create and interpret financial statements
- Get involved - bookkeepers and accountants can't do it all for you
- Review financial statements regularly to make timely management decisions
- Forecast short term cash flow
- Contact the SBDC for assistance

## Establish Checks and Balances

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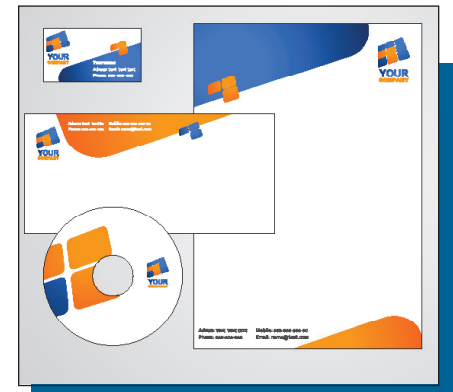
- Implement financial controls
- Enforce cash handling policies
- Review financial reports every month
- Reconcile daily register close-out with bank deposits and credit card transmittals
- Prevent opportunities for embezzlement
  - ✓ Divide financial responsibilities and functions
  - ✓ Require checks to have two signatures, if possible
  - ✓ Limit check endorsements to the owner



## Focus on Marketing

- Redefine the core target market and think about a “niche focus”
- Look for complementary areas requiring minimum start-up capital
- Reassess your marketing strategy
- Continue to invest marketing dollars
  - ✓ Understand that carefully invested marketing dollars and active business promotion will only generate more sales
- Keep in touch with current and past customers
  - ✓ Thank them for their business
  - ✓ Suggest another specific product or service
  - ✓ Ask for referrals
  - ✓ Repackage services to accommodate smaller clients and reduced budgets
- Examine the best and least costly way to contact customers
- Find the “hook” that will trigger a response
- Watch for new trends and look for opportunities to provide solutions

*These are only interim steps—not the marketing plan*



## Pay Attention to Your Retail Image

- Appearance counts - clean it and paint it
- Keep window displays fresh
- Add lighting to highlight product displays
- Clean or install new carpet
- Remerchandise products and shelving
- Install attractive and descriptive signage
- Train employees to deliver top notch customer service

## Set Critical Business Policies

- Decide on behavior that is essential for business success
- Set policies for customers and suppliers that will contribute to your success
- Set policies for employee behavior that meet customer expectations

## Be An Effective Business Owner

- Refine your business skills
- Attend workshops in subject areas where you need support
- Invest time in solving problems
- Make a commitment to improve
- Practice what you preach
- Communicate with customers, employees and suppliers
- Talk with other business owners - you are not alone
- Contact an SBDC business counselor - (it's free)



This material is intended to be an easy-to-review checklist with suggestions for surviving an economic downturn. Implementing any of these recommendations requires careful thought and planning. The Business Advisors and staff of the Northern California Small Business Development Center Network are available to help you individually with any of the recommended steps.

<b>Santa Cruz</b> (831)-479-6136 <a href="http://www.centralcoastsbdc.org">www.centralcoastsbdc.org</a>	<b>Oakland</b> (510) 208-0410 <a href="http://www.acsbdc.org">www.acsbdc.org</a>	<b>Napa</b> (707) 253-3210 <a href="http://www.napavalley.edu">www.napavalley.edu</a>	<b>Santa Rosa</b> (707) 524-1770 <a href="http://www.santarosa.edu/sbdc">www.santarosa.edu/sbdc</a>	<b>San Francisco</b> (415) 841-4050 <a href="http://www.sfsbdc.org">www.sfsbdc.org</a>
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Your local SBDC offers free business counseling and free or low cost trainings for every stage of business. Counseling and training topics include:

- **Economic downturn assistance**
- **Cash flow assessment and management**
- **Managing accounts receivable & inventory**
- **Strategic planning / business planning**
- **Expansion feasibility / advice**
- **Financial analysis and access to capital sources**
- **Business best practices**
- **Operations management**
- **Marketing strategies**
- **Market research resources**
- **Federal / state contracting and certification guidance**
- **Links to other businesses or business groups**
- **Referrals to attorneys, accountants and other business professionals**
- **Tax / regulatory compliance guidelines**
- **Trade and professional association referral**

Strategies for an Economic Downturn was developed by John W. Parker, Jr., Business Analyst, Alexandria (SBDC) and is reprinted here with permission from the Virginia SBDC Network.

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