

3 Strategies for Businesses

Across the country, entrepreneurs and business leaders are concerned about an economy in recession. Lay-offs, bankruptcies, falling home values, and declining consumer confidence have many worrying for their financial security.

1. Reduce Your Costs

Take a closer look at your expenses to identify areas where you can cut costs without negatively impacting your bottom line.

- ✓ **Save energy to reduce your bills.** Utility prices will probably not decrease in the near future. Reduce costs by turning lights and computers off after hours, switching to energy-saving lights, monitoring water usage, and encouraging staff to work toward a greener work environment (e.g. reducing excessive use of paper).
- ✓ **Renegotiate your lease.** If a contract, lease, or other obligation will soon be up for renewal, try to negotiate lower prices. And consider cuts (e.g. reducing office space). Explore shared office and/or retail space opportunities.
- ✓ **Explore opportunities to reduce overhead.** For example, telecommunications policies that will enable staff to work from home and reduce your facilities costs, or hiring consultants for short term projects, instead of hiring permanent full-time staff.
- ✓ **Explore low cost insurance options.** Save money on health insurance for yourself and your staff by researching low-cost health care options. Connect workers to supports by accessing free *EarnBenefits* worker support services. www.earnbenefits.org
- ✓ **When making painful cuts, think ahead.** Cutting payroll is difficult for most businesses. If you need to shrink salaries, try to shrink them across the board – starting with yours. Four-day work weeks may delay or eliminate lay-offs. If you are forced to let people go, slice with a scalpel and not a hatchet. You will need your best staff to help grow your business once the economy improves.

2. Control Your Cash Flow

Explore ways to protect your cash flow, focusing on controlling your outflow.

- ✓ **Free up cash flow.** While you are attempting to cut costs and grow sales, now is the time to call in favors. Free up your business's cash flow by asking to have payments to suppliers extended. Having a good amount of cash on hand, especially in light of the credit crunch, will help you do everything from make payments to employees and vendors, to spending on marketing campaigns that may lead to new business.

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- ✓ **Reduce inventories.** The last thing you want to do is get stuck with shelves of needless inventory (e.g. if spending \$30,000 on door knobs is unnecessary, change your purchase orders). Establish inventory targets and make sure the sales and purchasing departments are communicating.
- ✓ **Get tough with accounts receivable.** Customers, who are slow to pay their bills, including vendors, suppliers, and creditors, leave businesses short on cash. Be proactive and draft contracts that add on interest for debts 30 days past due. Be relentless and call up 'dead beat' customers. Explain that you love their business but you have a business to run and need to get paid.
- ✓ **Avoid costly mistakes.** Improve your awareness of laws and regulations and make sure you are compliant to avoid getting fined. Make sure you are up to date with your credit payment cycles to avoid late fees and insufficient funds.

3. Find New Opportunities

Even though this may seem counter-intuitive, a recession may be the best time to increase your marketing efforts. Hard times may weed out your competition, leaving the field wide open for you. Find opportunities and plant the seeds now for future growth.

- ✓ **Pay attention to the news.** Learn about how your industry is faring during this downturn; ask about strategies used by successful businesses; and identify unmet needs or areas of opportunity based on the changing landscape. What opportunities can you tackle today and how can you prepare your business to grow in the future?
- ✓ **Attract new markets.** Create a market development strategy by attracting new markets (same product, new customers). Find new distribution channels in addition to your existing channels (this could include consignment at other shops if you have a storefront or adding an e-commerce component to your existing sales channels).
- ✓ **Choose your marketing techniques wisely.** You should keep track of which marketing venues bring you the most business. Eliminate marketing techniques that aren't paying off. Instead of conventional advertising, consider online marketing: boost your ratings on Yelp.com or City Search; target bloggers; and utilize social media outlets. Think about a horizontal marketing system where you can use clustered marketing techniques with like minded or complementary businesses market products and/or services together and share advertising costs.

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