

10 Tips on “Recession-Proofing” Your Business

No-one knows for sure if Australia is going to slip into recession in 2009. Regardless, we are certainly heading towards tougher times and because of this it is even more critical than usual that business owners and managers spend at least some of their time thinking and acting strategically – in other words working *ON* the business as opposed to *IN* the business.

Here are 10 tips on how to not only survive difficult times but to prosper as well:

1. Knowing the profitability of each of your main product lines is crucial. To do this, ***make sure that you understand the gross profit margins for each line.***
2. ***Tighten up your credit policies and review your accounts receivable (debtors).*** If a large account were to go under it could badly affect your business.
3. ***Review you firm’s expenses and look for ways of driving your dollar further.***
4. ***Resist the temptation to slash your promotional budget out of hand.*** Sure, trim unnecessary costs, particularly advertising that has a poor risk-reward ratio. The implication of this is that you should measure the effectiveness of every campaign you run. Keep in mind that tougher times are a great opportunity for healthy businesses to increase market share ... just ask Gerry Harvey!
5. ***Seriously consider ramping up your relationship marketing.*** Remember, it costs at least six times as much to win a new customer as it does to keep an existing customer. The key is regular and beneficial contact.
6. ***Keep your team happy!*** They are probably feeling the pressure as well so keep them informed about where the business is going. And keep in mind that staff can be a source of great ideas but you do need to ask them.
7. Financial discipline is always important but never more so than in tougher times. For this reason ***ensure that budget forecasts are up to date; that actual figures are compared with forecast figures at least monthly; and that unfavourable variances are acted upon quickly.*** Remember that in tougher times cash is king so pay particular attention to your cash flow.
8. ***Make sure your key advisors such as your accountant and bank manager are fully aware of the business situation.*** They cannot help you if they are not aware that a problem exists.
9. ***Make sure your business plan is up to date.*** And if you don’t have a business plan maybe it is time to seriously get things underway!
10. ***Don’t ignore the warning signs.*** Some of the symptoms of a business “doing it tough” include low staff morale, increasing staff turnover, losing customers and market share, crisis management, “creative accounting”, making excuses, blaming others, and not seeking advice. If you saw these warning signs with any of your suppliers or customers you would take action. If you saw them with a friend in business you would help them. If you see them in your own business please don’t ignore them!

As always if you get stuck contact your professional service provider or your local BEC.