

Ten Tips To Get Fit For The Upturn: common sense advice for tough times

“When the going gets tough, the tough get going!” as they say in that well-known song. With the music ringing in your ears, now is a good time to get tough about your business. Times are hard and it is only by being tough and focused on your business you will be able to ride out the recession. Today’s news declared the last recession lasted for five quarters (15 months). This one is predicted to last for at least seven.

So, what do you need to hang on in there? Strategies and action plans.

Apart from strategies and action plans for some short term wins to try and generate cash within your business, now is the perfect opportunity to review your company’s progress and set fresh objectives to take you through to the medium-term (2-3 years). You need to get past those seven months. Surviving will be good, but it’s not enough. You need to come out of this phase in a fit enough state to take advantage of the upturn.

How can you ensure that? Here are ten simple steps you can take to be fit for the upturn:

1. Rewrite your business plan

Reassess your firm’s performance. This might allow you to identify factors that could be hindering development, identify a new target market, assess the impact of the latest technology on your market place and see new options. Take the opportunity to rethink your goals and your strategy for achieving them. You might even need to redefine success!

2. Reassess your business costs

Ensure you know the real margins in your business. Being out by just 1%-2% can make the difference between a profit and a loss – and you won’t know till too late. Being on the wrong side will mean you will die slowly as cash eventually dries up. Include everything from premises costs and wages, to utility bills and raw materials. Try to identify areas where you can make cutbacks without having an adverse effect on your business.

3. Revisit your prices

Review all your prices – and do so regularly. You might be tempted to put prices down to be competitive and win business. That’s a sucker’s game which you can’t win. Reduce prices, if you have to, for one reason alone: to get some quick business to generate some cash. Price reduction cannot be a medium-term strategy except for the big boys who have deep pockets and can stomach losses for a while. You and I need to find ways of creating a pricing structure where core services or products appear reduced, but other things that are less price sensitive are increased. This way

you are seen to be competitive, but you maintain your overall margin. It's imperative you understand your margins for this.

4. Give and gain support from your employees

National news concerning redundancies means staff morale is low. Invest in your staff with training and ask for your suppliers' support – even get your customers involved and use it as a PR event too. Ask staff how they think the business could save costs, increase output, find new customers or new products/services to sell to your existing customers. Be seen to be proactive in supporting and listening to them – simple steps to boost their morale will pay dividends.

5. Negotiate better deals

Try to get more for your money from your suppliers. If you haven't already, ask for discounts for early payment or bulk purchases. Phone them up for special 'one-off' deals whenever a customer is buying a larger quantity than usual. Ask for more favourable payment terms – a few extra days credit can add to the cash flow. If the same quality of service is assured, don't shy away from buying from new suppliers.

6. Tighten up on credit control

Remember the golden rule: you don't have a sale until the money is in the bank! So don't let your accounts get out of hand. Start chasing earlier than usual and get your customers to pay more promptly. Be polite but chase avidly – and DO NOT let this new habit drop. Your customers will soon get used to your new way. Experience tells us that s/he who persists the most and shouts loudest gets paid first. You can give incentives for early payment and charge interest on late payment. Always pursue large debts first – even asking for some payment 'on account' will help. Get tough on non-payers – stop servicing them – and use a debt-collection professional when relevant.

7. Innovate

Look for new products or services to add to your portfolio, even ones that may be outside of your usual business. How can you be a point of outsourcing? For example, if you have an office with computer capacity or admin staff under utilised why not offer their service as a 'virtual PA', debt-chaser, book-keeper or telephonist. Many businesses need to free up time to drum up business and would be unable to afford those services otherwise. It's time to think outside the box.

8. Be proactive

It's important to appear proactive to your customers and suppliers – even when things are getting really tough - so they keep their faith in you. When things are slow, take the opportunity to visit them and work on your own PR. Look to the long-term and start the new project you have never had time for. Get the paint brush out and give the office a 'lift'. Start a new marketing campaign or generate some free publicity by helping a local school or charity – and get your customers and suppliers involved. Stop your customers from shopping around by communicating that you proactively review prices so that they will always get the best deal. Now is the time to tell them.

Shout from the roof tops about all the new things you are up to. Don't share in all the doom and gloom – empathise, sympathise and listen – then put a positive slant on things.

9. Invest in new equipment

Could new equipment increase your throughput or help you win new business? Could a new invoicing or stock control package make you more efficient? Maybe it's time to upgrade existing equipment or explore how making full use of information technology could boost your bottom line. There are good deals to be had and finance is cheap for those who can make a good case for an upgrade.

10. Keep your staff

When large firms cut costs they make redundancies. As a small-medium-sized business, redundancy (unless you are over staffed or suffering a significant downturn) is not always the best strategy! People are your most important asset and you'll need them when better times return - especially if knowledge and experience are keys to your success. Get them multi-tasking, retraining, taking on jobs in other areas jobs. Above all get them focused on sales and marketing – that's all good stuff for the future. Try taking on assignments from your customers (as in 7 above). Finally, ask if anyone is willing to work fewer hours.

For detailed ideas related to each of these topics go to www.udevelopment.co.uk