



Serving Pinellas County, Florida

Bulletin Number 109

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SOS

(Secrets of Survival for Small Business in a Depressed Economy)

What are the Options?

- Do not panic, avoid rash decisions
- Think Tactically
 - Need tactical, survival strategies
 - Focus on the next three to six months
- Develop standard accounting reports
 - Balance Sheet, Income Statement, Profit and Loss Statement
- Remember, businesses only fail for one reason; they run out of cash!
- Focus on 5 largest expense items
- Get help from an objective 3rd party
 - Accountant, Lenders, SCORE

Increase revenues and/or reduce costs or both

Step 1 – Look Internally

- Review the entire company objectively
- Product offering is current and meets market needs
- Structure, location, and appearance received positively by the market
- Personnel capable and knowledgeable about the company and its products
- Customers aware of the best reasons to deal with you
- Customers see you as a positive addition to meet “their” needs

Step 2 – Stop the Bleeding

- Keep employees informed of the current business situation
- Ask employees for suggestions for improvement
- Review top 5 company expenditures
- Owners should review **all** company expenditures and sign **all** checks
- Assign one employee to collect past due accounts. If they are having a problem, owner should call
- Review cash flow/cash on hand for next 3-6 months

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- Monitor all employees expenses
- Try to secure extended payment terms from suppliers
- Consider purchasing via company credit card. This may give you 15-25 days of extended terms
- If cash position allows, take advantage of early pay discounts
- Consider a twice monthly pay schedule
- Reduce employee hours versus layoff. Also consider using contract labor (know IRS rules)
- All office meetings should be very early in the day. Keep short and focus on important issues
- Try to secure line of credit for unforeseen expenses

Step 3 – Downsize

- Downsize office
- Reduce employees, eliminate those that are not performing
- Review and reduce all office expenditures **NOTHING IS SACRED!!!**
- Reduce slow moving inventory
- Review advertising and reduce if possible
- Review all salaries, including owners, to see if they can be reduced
- Eliminate company cars when not required
- Reduce vacation time until things improve
- Review the business with your accountant and banker to determine if you will be able to survive the recession
- If you cannot maintain your debt levels, develop a restructuring plan

Step 4 – Restructure Debt

- Should you restructure debt on your own?
 - If you can afford to pay off past due debts over the next three months, you can handle the debt
 - If you need six months to pay off these debts, you can probably negotiate with your creditors
 - If you need one year to pay off debts, you need a restructuring plan
 - If you need more than one year, seek professional help
- Which Creditors Should Be Restructured?
 - **Should be** restructured
 - No longer willing to do business with you
 - You no longer need to do business with
 - Have stopped giving you credit
 - Are not critical to your survival
 - Have placed you for collection

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- **Could be** restructured
 - Are still willing to sell to you
 - Are not pushing for past due balances
 - Their products, services or equipment are important but can be purchased elsewhere
- **Vital** to not be restructured
 - Are critical to your survival
 - Without their products, services or equipment, you would be forced to close your doors
 - There is nowhere else you could get these products, services and/or equipment
- A Settlement Proposal Needs:
 - A hardship cover letter – summarizes the problem
 - A payment plan proposal – offers alternative payment options
 - A business history profile – summarizes causes, extenuating circumstances and actions

Increase Revenues

- **Marketing**
 - Keep marketing & advertising. If you must cut costs in advertising, then advertise smart, relocate your budget to measurable media
 - Apply extra effort in proven marketing techniques for your business. What worked before is likely to work again.
 - Revisit old sales leads.
 - Consider increasing your marketing budget and try new approaches
- **Bundle products**
 - Provide special sales offerings or more attractive pricing—buy two get one free, get free glass of wine with order of calamari...
- **Expand**
 - Offer related products or services. If a customer is happy with your service, he/she will prefer to buy more items from you
- **Evaluate pricing**
 - Increase where necessary, decrease to improve sales. This should be done gradually, regularly and in small increments.
 - **Successful Competitors**
 - Watch if their prices change and respond appropriately

Investigate Bankruptcy

- Consult a Bankruptcy Attorney
- Issues:

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- Continue to operate or liquidate?
- Who manages the business?
- Payment terms for outstanding debt?
- Which assets remain?
- Types of Bankruptcy
 - Chapter 7 – Liquidation
 - Chapter 13 – Reorganization for individuals
 - Chapter 11 – Reorganization for larger businesses
- Note: if debt is guaranteed with personal assets, you are still liable

Marketing

- Step 1 – Step it Up
 - Expand your marketing efforts
 - Spend your time on what really matters
 - Study your market
 - Change your offer
 - Increase your networking
 - Be more persistent
 - Start *making* referrals
 - Examine your personal brand
 - Increase your marketing efforts on line
 - Start social networking
 - Increase your marketing efforts off line
 - Dig out lost proposals
 - Spend your money on marketing *first*
 - Track, track, track
 - Stop any image advertising
 - Track the productivity of your sales people
 - Revamp your marketing tools
 - Support your sales people
- Step 2 – Change your model
 - See a need and fill it
 - Make time for face time
 - Be customer centric
 - Expand your income streams, especially passive income
 - Look for affiliations
 - Accept “C” clients
 - Create package options
 - Carve out new niches
 - Research
 - Do more for less
 - Move quickly!
- Step 3 – Grow!
 - Seek to expand your market share
 - Seek customers globally

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- Consider offering your products or services on-line
- Money
 - Don’t spend indiscriminately
 - Move on slow payers quickly
 - Place customers on “auto bill”
 - Develop new pricing strategies
 - Outsource
 - Self finance customers
 - Bill fast...pay slow

Remember! A down economy weeds out your competition leaving the field wide open for you!

This document is a summary of several sources within SCORE to include the Recession Tools page of the SCORE Volunteer Center, www.score.org