

Recession Proof the Business

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How can I recession proof my business? Even the Fed Chair is speaking the forbidden “R” word. It has me thinking. Although things are going along well for my business right now, I want to do everything I can to protect myself and my business.

To recession proof a business, reduce debt, increase cash on hand, add depth in the pipeline. Find alternative lines of income and clients in markets that are likely to turn up during downturns. These things can help a good business stay healthy during a weak business cycle.

One thing to consider is timing. In a recession you have to pick your battles. Some businesses are just at breakeven, and have to market aggressively in order to protect and grow the business. Be aware that marketing in a recession can have both an advantage and a downside. As the recession deepens you may have to spend more marketing dollars per sale, if buyers dry up. The good news is that many companies back down on marketing, and your dollar buys more as advertisers are more willing to work with you.

Investments in marketing and sales often surge upwards at the start of a recession, then trend downwards the longer the recession lasts, as companies run out of steam and have little cash left to deploy on acquiring new business. Be sure you plan out your sales and marketing

dollars, so that you have some left at the end of the down cycle.

Many businesses do well in a recession by simply holding their own. They inch forward and shift their focus to perfecting operations internally. When the business cycle turns back up the company is ready marketing-wise to leap forward. The company also saves money in an upswing by having a smoother, more efficient operation in place.

Going into a downturn you want to consider your cash position. Having several months of cash on hand will make things easier as you ride out the downturn – do everything you can to build up cash now! Limit discretionary buying. Carefully plan your year end tax position.

Try to pay down as much debt as possible. If you don't have enough cash on hand, don't rely on a credit line to get you through. Figure out how to eliminate unproductive or unprofitable areas of the business, and don't hesitate to make cuts. One client of ours, who has already encountered a slow down in his market, commented, “with our expense cuts, we're making more profit than we did before the downturn started, and we're not working as hard to do it.”

Look at the company's work on hand. Assume that some portion – perhaps as much as 30% to

50% might go away. As one business owner observed last week, “my business gets hurt because my customers are very sensitive to any market downturn”. Know what drives your customers' business and forecast how much of your pipeline of work orders might be vulnerable.

Next, examine the sales pipeline. How many proposals are outstanding? How many proposal requests are likely to come in over the next 3, 6, 9 and 12 months? Assume a higher than usual drop off, as prospects have to make choices about what they can and cannot afford to do. Spend your marketing and sales dollars on clients that are least likely to be hurt by a recession.

During a recession longer term projects, such as municipal, state and federal projects, tend to continue to roll along. So do businesses that sell into those markets. Projects with less than a year's lead time, retail and impulse sales, and non-essential goods tend to struggle. Not all parts of the globe are soft at the same time. As the dollar weakens, our goods and services become more attractive to other countries. How can you market elsewhere?

Think through what your company produces, and who you sell to. How can you re-focus towards customers that do better in recessions? Any chance you



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can sell to expanding parts of the globe such as China and India? How can shifting your message help customers see your business as helpful during a recessionary time?

In closing, let me remind everyone that most businesses are still standing after a recession. The most vulnerable may close up shop. Some weather the storm but are too weak to be effective once the recession loosens. Keep your business healthy by being on top of the numbers. Prioritize what you can do to prepare your business for both the downturn and the inevitable upswing. Invest in projects that make your company stronger or better. Reserve money for marketing. Make every dollar count.

Looking for a good book? Try Fool-Proof Marketing: 15 Winning Methods for Selling Any Product or Service in Any Economy, by Robert Bly.

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