

Recession Planning – Time to Take Action pt 2

04/21/08

Last week we started a 2 part article, related to recession planning.

“When do I know if I’m in trouble, financially? It seems like I’m okay, most of my customers are continuing to buy and I’m picking up new accounts here and there. It’s certainly not looking like a boom year, but it’s not total doom and gloom either. There’s a lot of talk of recession out there, and I’m not sure how much I should pay attention to that.”

In recessions it’s important to take action. Don’t sit and wait for things to happen. Last week I talked about looking inside the business, and the importance of getting the company’s finance and sales acts together. Now let’s look forward, to chart a course safely through this potential down market.

Consider the following questions. Where to go if the company needs a boost? Is the overall market down or is it just this business that’s feeling the heat? What can be done to turn the odds around, keeping in mind that just like boom markets, recessions, too, must come to an end?

Think about buying or partnering with a firm that traditionally does well in, or at the end of, a recession. Partnering may help pull up a company’s core sales, or pave the way for a company to get more sales once the

recession ends – which they always do. In the meantime, cash flow from the partnership or acquisition may help keep the core business going.

What kinds of firms do well in recessions? Basic services, that can’t be done without, or that emphasize refurbishing over buying new, are often stronger in down markets. So are businesses tied to debt and expense control. Also pay attention to commodity based businesses. Consider food, commodity recovery or conservation, health care, home and auto repairs and refurbishing, as well as bookkeeping, billing and collections services.

How do you link a recession slumping business to a recession performer? That’s where you have to put on your thinking cap. Just because the recession performers are positioned to do well, doesn’t mean they have all the tools to do so. Maybe the slumping business has sales skills, or client lists that could unlock the potential of a recession performer. If the slumping business is strong at customer service or has good finance skills, it may help a recession performer digest increased sales or keep on top of profits.

If you have reserves going into a recession, put that money to work offensively. Instead of using up funds to keep the boat afloat in tough times, go out and buy a

business that has opportunity to expand. Look for a recession performer that compliments your business, that’s having management difficulty, and make an offer. Increase the overall strength of your business by expanding sales, then reduce redundant overhead expenses to make the new entity profitable. It’s what the big guys do all the time. Why not you and your small business, assuming you have the cash to pull it off?

Businesses that are cash strapped going into a recession period may have to look for a bail out. They need to find a company that will value what they can offer, whether it’s a special niche, a unique product or service, a client list, operational skills, years of experience, a track record of performance, etc. Join forces to get strong.

Before you make any radical decisions about whether or not your particular business is in recession, look at your marketplace to see how it’s doing. Contact your industry trade association for data. They should be able to tell you about trends, and whether your market segment is up or down this year. If your market is up overall, then you’ve got more work to do internally. See last week’s article.

If your trade association tells you that your market is down overall, ask them what other businesses like yours are doing to survive



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and turn things around. Focus on the strong players. Hook your star to another potentially successful firm, rather than trying to go it alone.

Consider banding together. For example, share the costs of a nationwide marketing campaign with similar businesses from other regions. Find a peer in another locale that has had success with cold calling, internet marketing, or targeted advertising. Ask if they'd like to expand their marketing campaign, in return you'll pay them a percentage for any business generated in your area. Less work for them and more money for both of you.

There are endless ideas for surviving a recession. Act now. Position your company to come out the other side stronger, ready to leap when things turn around.

Looking for a good book? Try *Recession Storming: Thriving in Downturns through Superior Marketing, Pricing and Product Strategies* by Rupert M. Hart.

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