



STRATEGIES FOR AN ECONOMIC DOWNTURN

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Strategies for an Economic Downturn

INTRODUCTION

The following guidelines were put together by Jack Parker, Business Analyst for the Alexandria Small Business Development Center (SBDC). They are a synthesis of wisdom from a number of sources over many years.

The succinct presentation is intended to be an easy-to-review checklist, but following the recommendations requires careful thought and planning. Keep in mind that the Alexandria SBDC staff is available to meet with you individually to help you with any of the recommended steps.

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Strategies For an Economic Downturn

Not The Same As Business Planning

- **THE PROCESS – Be Proactive in Addressing the Following Areas:**
- **SOLVE CASH CRISIS**
- **GET CONTROL OF YOUR FINANCES & LOOK AT YOUR COSTS**
- **ADDRESS PERSONAL & PERSONNEL ISSUES**
- **IMPROVE EFFICIENCY**
- **REFOCUS ON THE MARKET & INITIATE LOW COST PROGRAMS**
- **STRENGTHEN YOUR BUSINESS RELATIONSHIPS NOW**

SOLVING THE IMMEDIATE CASH CRISIS

- **GET ORGANIZED IN A NOTEBOOK**
- **LIST PROBLEM AREAS**
- **SET PRIORITIES**
- **DETERMINE NEXT DAY'S TASKS EACH NIGHT**
- **CRITICAL BUSINESS ACTIVITIES SHOULD BE SCHEDULED FOR THE MORNING - FIRST THING**
- **SET ASIDE THE TIME**
- **SET TIME FRAME AND GOALS**

ACCOUNTS RECEIVABLE - COLLECTIONS

- **BILL AS SOON AS POSSIBLE - FAX INVOICES**
- **KEEP TERMS SHORT - DUE UPON RECEIPT**
- **COLLECT EVERYTHING NOW**
 - **CALL EVERYONE - DON'T WAIT**
 - **WHAT TO SAY (Contact the SBDC for Specific Suggestions)**
 - **ANYTHING APPROACHING 90 DAYS - THREATEN COLLECTION**
 - **PICK UP LARGE CHECKS - IF POSSIBLE**

- **SET FIRM CREDIT POLICIES**
 - **CASH AT TIME OF SERVICE**
 - **ALL INVOICES DUE IN 30 DAYS - MAXIMUM**
 - **SEND COLLECTION LETTERS AT 30 & 45 DAYS**
 - **PLACE OVERDUE ACCOUNTS ON COD**
 - **THREATEN COLLECTION AT 60 DAYS**
 - **LATE FEES ARE AN EMPTY THREAT**
 - **DISCOUNTS - DO NOT OFFER EXCEPT FOR PREPAYMENTS**

- **DEVELOP AN EFFICIENT PROCESS FOR INVOICING**
 - **PRODUCE FIRST THING EACH DAY - SET THE TIME ASIDE**
 - **GET AUTOMATED - IF YOU WRITE MANY**

- **USE AGING REPORTS TO MANAGE & PROJECT CASH INFLOW**
(Contact the SBDC if You Need Help)

PRICE INCREASES & COST REDUCTIONS

- **MEET THE COMPETITION ON ALL PRICES TODAY**
- **CHARGE EXTRA FOR EMERGENCY SERVICE**
- **ASK LANDLORD FOR RENT REDUCTION OR RESTRUCTURE TO ALLOW A SHORT ABATEMENT PERIOD**
- **RENT OUT UNUSED SPACE**
- **ELIMINATE DISCOUNTS AND GIVEAWAYS**
- **REDUCE NUMBER OF EMPLOYEES - HIRE PART-TIME / USE INTERNS**
- **CONSIDER ELIMINATING THE HIGH COST OF YELLOW PAGE-TYPE PRINT DISPLAY ADS**

- **PAY ALL PAYROLL TAXES ON TIME**
- **ASK VENDORS / SUPPLIERS FOR TRADE DISCOUNTS**
- **REDUCE PERSONAL EXPENDITURES**
- **SELL THE WASTE - INVENTORY ON SHELF > 90 DAYS**
- **SELL UNPRODUCTIVE ASSETS**
- **TALK WITH OTHER BUSINES OWNERS - YOU ARE NOT ALONE!**

CREDITORS

- **WHO TO PAY FIRST (Example: IRS, Bank, Landlord)**
- **WHO TO LAG - HOW FAR**
 - **See the SBDC for Suggestions for Your Circumstances**
- **CONTACT NOW - TALK TO DECISION MAKER & KEEP IN TOUCH**
 - **PARTIAL PAYMENTS**
 - **PROMISES**
 - **DO NOT SETTLE ON PAYMENT PLAN AMOUNTS UNTIL CASH FLOW PROJECTIONS ARE COMPLETE (Contact the SBDC for Help With Projections)**

- **LENDERS**
 - **RENEGOTIATE EXISTING LOAN TERMS**
 - **DEBT CONSOLIDATION**
 - **INTEREST ONLY PAYMENTS**

- **PAST DUE TAXES**
 - **CONTACT ALL AGENCIES IMMEDIATELY!**
 - **ANSWER LETTERS PROMPTLY**
 - **COMPLETE CASH FLOW FORECAST BEFORE YOU AGREE TO A SCHEDULE**

- **USE AGING REPORTS TO MANAGE & PROJECT OUTFLOW**

INVENTORY

- **KEEP TRACK EACH MONTH**
 - **TO KNOW YOUR COGS AND MARGINS**
 - **TO DETERMINE WHAT IS MISSING - DUE TO SHOPLIFTING & PILFERING**
- **GET RID OF EVERYTHING THAT HAS BEEN ON THE SHELVES OVER 90 DAYS – SELL AT COST, IF NECESSARY**
- **RESTOCK WITH FASTER-SELLING ITEMS**
- **BUY USING “JUST-IN-TIME” ORDERING PROCESSES, IF POSSIBLE**

EMBEZZLEMENT

- **TAKE BACK THE RESPONSIBILITY FOR SIGNING CHECKS**
- **IF SOMEONE (SUCH AS A BOOKKEEPER) HAS BEEN PAYING THE BILLS FOR YOU, HAVE THEM STAMP AND ADDRESS ENVELOPES AND STUFF INVOICES. REVIEW & SIGN THE CHECK - MAIL IT YOURSELF**
- **MATCH THE POS REPORTING AT REGISTER CLOSE-OUT WITH BANK DEPOSITS AND CHARGE TRANSMITTALS (DAILY). OR, IF YOU USE AN OLDER REGISTER, CHECK YOUR CASH REGISTER Z TAPE AGAINST THE DEPOSIT SLIP FOR THE BANK**
- **MAKE DEPOSITS TO THE BANK ACCOUNT(S) YOURSELF**
- **OPEN BANK STATEMENTS YOURSELF & CHECK SIGNATURES**
- **BALANCE THE CHECK BOOK YOURSELF**

IMAGE

- **CLEAN IT AND PAINT IT**
- **KEEP WINDOW DISPLAYS FRESH**
- **KEEP WINDOWS CLEAN AND ADD LIGHTING TO HIGHLIGHT PRODUCT DISPLAYS**
- **CLEAN OR INSTALL NEW CARPET**
- **RE-MERCHANDISE PRODUCTS AND SHELVING**

RE-MARKETING

- **RE-IDENTIFY YOUR CORE TARGET MARKET AND THINK ABOUT YOUR “NICHE FOCUS.” BUT REALIZE THAT YOU MAY NOW NEED SEVERAL AREAS OF FOCUS**
- **LOOK FOR COMPLIMENTARY AREAS REQUIRING MINIMUM START-UP CAPITAL**
- **MOST BUSINESS PEOPLE’S IMMEDIATE REACTION TO A DOWNTURN IN SALES IS TO PULL BACK ON MARKETING DOLLARS – GET PAST THIS MINDSET**
- **UNDERSTAND THAT CAREFULLY INVESTED MARKETING DOLLARS AND ACTIVE BUSINESS PROMOTION WILL ONLY GENERATE MORE SALES**

- **REASSESS YOUR MARKETING STRATEGY – MAKE IT A PRIORITY TO CALL AT LEAST THREE EXISTING CLIENTS EVERY DAY OF THE WEEK THANKING THEM FOR THEIR CURRENT BUSINESS (OR IN THE PAST) AND ASK THEM FOR MORE BUSINESS**
 - **HAVE A SPECIFIC PRODUCT OR SERVICE IN MIND**
 - **THEN DO THE THING THAT MOST FORGET: ASK FOR A REFERRAL. BETTER STILL, ASK FOR SEVERAL – PERHAPS SUGGESTING THAT YOU WILL CALL THEM BACK LATER IF THEY DO NOT HAVE ANY IN MIND AT THE TIME**
 - **REPACKAGE YOUR SERVICES TO ACCOMMODATE SMALLER CLIENTS AND REDUCED BUDGETS**

- **DECIDE ON A COMMUNICATION DEVICE**
- **CHOOSE THE LEAST COSTLY DELIVERY SYSTEM THAT WILL DO THE JOB**
- **WHAT IS THE “HOOK” THAT WILL TRIGGER A RESPONSE?**
- **THESE ARE QUICK INTERIM STEPS - NOT THE MARKETING PLAN**
- **WATCH FOR NEW TRENDS IN THIS TIME OF CHANGE THAT MAY COMPLIMENT WHAT YOU OFFER OR HOW YOUR EXPERTISE MAY BE USEFUL**

SETTING CRITICAL POLICIES

- **AS CEO/OWNER, DECIDE ON A WAY OF BEHAVIOR THAT IS ESSENTIAL TO THE SUCCESS OF THE BUSINESS AND SET THOSE POLICIES FOR CUSTOMERS, CLIENTS, SUPPLIERS AND LAST, BUT NOT LEAST, YOUR EMPLOYEES**
- **EACH CRITICAL POLICY WILL EITHER ADD OR SUBTRACT A SMALL INCREMENT OF PROFIT**
- **IF YOU SET A CRITICAL POLICY AND THEN DO NOT ENFORCE IT, YOU DO NOT HAVE A POLICY!**
- **BE FIRM!**

ACCURACY AND TIMELINESS OF ACCOUNTING

- **LEARN TO CREATE AND UNDERSTAND FINANCIAL STATEMENTS (Contact the SBDC for Help)**
- **DON'T EXPECT BOOKKEEPERS OR ACCOUNTANTS TO DO IT ALL FOR YOU**
- **COMPLETE THEM FAITHFULLY EACH MONTH ASAP AFTER MONTH END SO THAT MANAGEMENT DECISIONS BASED ON RESULTS CAN BE MADE ON A TIMELY BASIS**
- **LEARN TO FORECAST SHORT TERM CASH FLOW**

YOUR EFFECTIVENESS

- **BUSINESS SKILLS**
 - **SEE AN SBDC BUSINESS COUNSELOR - (IT'S FREE)**
 - **ATTEND WORKSHOPS IN AREAS WHERE YOU NEED SUPPORT (See The Alexandria SBDC's Quarterly Workshop Schedule On Their Web Site)**
 - **INVEST TIME IN PROBLEM SOLVING**
- **COMMITMENT TO CHANGE**
 - **IF YOU DON'T CHANGE, NO ONE ELSE WILL**
- **HONESTY**
 - **WITH YOURSELF**
 - **WITH YOUR EMPLOYEES**
- **BE AVAILABLE**
- **COMMUNICATE**

Alexandria SBDC's services are provided without charge through the funding of the following partners whose objective is the growth and success of small businesses:

**The City of Alexandria, Virginia
U.S. Small Business Administration
Virginia Small Business Development Centers**

**Virginia Commerce Bank
Alexandria Economic Development Partnership**

**BB&T Bank
Burke & Herbert Bank
PNC Bank
The Business Bank
John Marshall Bank
M&T Bank
TD Bank
Capital One Bank
EagleBank
Dominion Foundation**