

# Strategies For An Economic Downturn



Virginia Small Business Development Center Network  
[www.viriniasbdc.org](http://www.viriniasbdc.org)



# Strategies For An Economic Downturn

Be proactive in addressing the following areas:

- ◆ Solve the Cash Crisis
- ◆ Get Control Of Your Finances and Look At Your Costs
- ◆ Improve Efficiencies
- ◆ Refocus On The Market and Initiate Low Cost Marketing Programs
- ◆ Address Personal and Personnel Issues
- ◆ Strengthen Your Business Relationships

## Solve Any Immediate Cash Crisis

- Organize financial data in one place
- Make a list of the problem areas
- Set priorities for collections and payables
- Determine next day's tasks each night
- Set time frame and goals for cash management
- Contact the local SBDC for assistance



## Collect Accounts Receivable

- Bill customers as soon as possible
- Use aging reports to manage and project cash flow
- Collect everything now
  - ✓ Call everyone - Don't wait
  - ✓ Begin collection for overdue accounts approaching 90 days
  - ✓ Pick-up large checks in person, if possible
  - ✓ *What to say?* Contact the SBDC for specific suggestions
- Set firm credit policies
  - ✓ Require cash payment at time of service
  - ✓ Make all invoices due within 30 days
  - ✓ Send collection letters at 30/45/60 days
  - ✓ Place overdue accounts on COD
  - ✓ Offer discounts for prepayments only



## Contact Creditors

- Prioritize who to pay first — e.g., IRS, bank, landlord
- Complete a cash flow forecast before setting a payment plan
- Talk to decision makers and keep in touch
- Offer partial payments, if possible
- Keep payment promises
- Contact the SBDC for help with projections and negotiation strategies
- Lenders
  - ✓ Renegotiate existing loan terms
  - ✓ Consolidate debt
  - ✓ Request interest only payments
- Past due taxes
  - ✓ Contact all agencies immediately
  - ✓ Respond to tax collection letter promptly
  - ✓ Complete cash flow forecast before agreeing to a payment schedule

## Adjust Prices and Reduce Costs

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- Be competitive in pricing and value
- Revise pricing to improve sales and profits
- Charge extra for emergencies, deliveries and other value-added services
- Eliminate discounts and giveaways
- Ask landlord for rent reduction or restructure to allow a short abatement period
- Rent out unused space
- Reduce personnel expenses — e.g., hire part-time, use interns, eliminate overtime
- Ask vendors / suppliers for trade discounts
- Reduce personal expenditures — e.g., travel, entertainment



## Manage Inventory

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- Review inventory levels every month
- Liquidate everything that has been on the shelves over 90 days
- Sell outdated items at cost, if necessary
- Restock shelves with faster-selling items
- Buy using “Just-In-Time” ordering processes, if possible

## Require Accurate And Timely Accounting

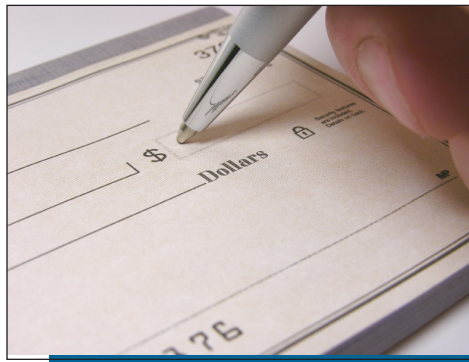
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- Create and interpret financial statements
- Get involved - bookkeepers and accountants can't do it all for you
- Review financial statements regularly to make timely management decisions
- Forecast short term cash flow
- Contact the SBDC for assistance

## Establish Checks and Balances

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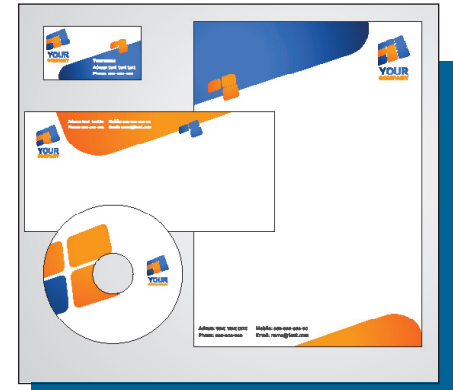
- Implement financial controls
- Enforce cash handling policies
- Review financial reports every month
- Reconcile daily register close-out with bank deposits and credit card transmittals
- Prevent opportunities for embezzlement
  - ✓ Divide financial responsibilities and functions
  - ✓ Require checks to have two signatures, if possible
  - ✓ Limit check endorsements to the owner



## Focus on Marketing

- Redefine the core target market and think about a “niche focus”
- Look for complementary areas requiring minimum start-up capital
- Reassess your marketing strategy
- Continue to invest marketing dollars
  - ✓ Understand that carefully invested marketing dollars and active business promotion will only generate more sales
- Keep in touch with current and past customers
  - ✓ Thank them for their business
  - ✓ Suggest another specific product or service
  - ✓ Ask for referrals
  - ✓ Repackage services to accommodate smaller clients and reduced budgets
- Examine the best and least costly way to contact customers
- Find the “hook” that will trigger a response
- Watch for new trends and look for opportunities to provide solutions

*These are only interim steps—not the marketing plan*



## Pay Attention to Your Retail Image

- Appearance counts - clean it and paint it
- Keep window displays fresh
- Add lighting to highlight product displays
- Clean or install new carpet
- Remerchandise products and shelving
- Install attractive and descriptive signage
- Train employees to deliver top notch customer service

## Set Critical Business Policies

- Decide on behavior that is essential for business success
- Set policies for customers and suppliers that will contribute to your success
- Set policies for employee behavior that meet customer expectations

## Be An Effective Business Owner

- Refine your business skills
- Attend workshops in subject areas where you need support
- Invest time in solving problems
- Make a commitment to improve
- Practice what you preach
- Communicate with customers, employees and suppliers
- Talk with other business owners - you are not alone
- Contact an SBDC business counselor - (it's free)



This material is intended to be an easy-to-review checklist with suggestions for surviving an economic downturn. Implementing any of these recommendations requires careful thought and planning. The counselors and staff of the local Small Business Development Center (SBDC) are available to help you individually with any of the recommended steps.

Business owners and managers can count on professional guidance, experienced insight, and practical solutions from Virginia SBDC business counselors. Contact your local SBDC office for more information.

#### **POTOMAC REGION**

Alexandria SBDC	703-778-1292
Mason SBDC	703-277-7747
Loudoun SBDC	703-430-7222
Rappahannock Region SBDC - Fredericksburg	540-286-8060
Rappahannock Region SBDC - Warsaw	804-333-0286
SBDC at Community Business Partnership	703-768-1440

#### **CENTRAL REGION**

Shenandoah Valley SBDC at James Madison University	540-568-3227
Shenandoah Valley SBDC at Blue Ridge Community College	540-213-7002
Central Virginia SBDC (Charlottesville Area)	434-295-8198
Greater Richmond Chamber of Commerce SBDC	804-783-9314
Lord Fairfax SBDC - Culpeper	540-937-2919
Lord Fairfax SBDC - Fauquier	540-351-1595
Lord Fairfax SBDC - Middletown	540-868-7093

#### **HAMPTON ROADS REGION**

Hampton Roads Chamber of Commerce SBDC - Chesapeake	757-664-2595
Hampton Roads Chamber of Commerce SBDC - Franklin	757-562-4900
Hampton Roads Chamber of Commerce SBDC - Smithfield	757-357-3502
Hampton Roads Chamber of Commerce SBDC - Suffolk	757-664-2613
Hampton Roads SBDC at Eastern Shore Chamber of Commerce	757-789-3418
Hampton Roads SBDC at Thomas Nelson Community College - Hampton	757-865-3128
Hampton Roads SBDC at Greater Williamsburg Chamber and Tourism Alliance	757-229-6511

#### **SOUTHERN REGION**

Longwood University SBDC - Danville	434-791-7321
Longwood University SBDC - Petersburg	804-518-2003
Longwood University SBDC - Farmville	434-395-2086
Longwood University SBDC - Martinsville	276-632-4462
Longwood University SBDC - South Boston	434-572-4533
Region 2000 SBDC (Lynchburg Area)	434-582-6170

#### **SOUTHWEST REGION**

Crossroads SBDC (Galax Area)	276-236-0435
Mountain Empire Community College SBDC	276-523-6529
New River Valley SBDC	540-831-6056
Roanoke Regional SBDC	540-983-0717
Southwest Virginia Community SBDC	276-964-7345
Virginia Highlands Community College SBDC	276-739-2474

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