



How to Stay *Up* When the Economy is *Down*

When the economy sours, it's natural to see a deviation in your business. This brochure offers a host of "do-it-yourself" strategies to ensure that those deviations don't become the standard.

Sales Strategies

Sales can be challenging even in a rosy economy, but in slow economic times, sales strategy and planning are even more important. Tenacity and determination are the key factors in survival. Try using these ideas to improve your sales picture.

Reassess your products. Does your value proposition make sense in the current economy? Are there other benefits that you can highlight to attract customers?

Prioritize your sales prospects. The true value of a potential customer is not always apparent. If your cash flow is in danger, spend more of your sales efforts on the prospects that are likely to close more quickly. Include factors like the time it will take to receive payment and the probability of closing in your prioritizing.

Prioritize your current customers. The truism of 80 percent of revenue comes from 20 percent of customers may apply to you. Take a fresh look at your customers and see if you can turn some of those smaller accounts into larger ones. Make sure you are getting as much business as possible from your largest customers. Also, pinpoint accounts that cost more to maintain than they earn in revenue. You may want to end these marginal relationships.

Don't tie yourself too closely to one customer. A single large customer can appear to be a blessing, but it can also lead to a significant danger. Work toward achieving a broader base of customers.

Make your customers number one. Communicate with your customers to discover any new or underserved needs. Ask for more of their business, and work to get it. Show your appreciation in terms of service and with small gestures. Solicit referrals from your most satisfied customers.

Expand your products or services. Based on customer and employee feedback as well as market research, offer your customers additional products and services. If you manufacture or sell a product, think about installation or servicing. Offer coordinating items in a bundle. If you sell lamps, stock light bulbs also.

Marketing and Public Relations Strategies

Your business may be more vulnerable than ever. Now is not the time to cut advertising dollars or scale back on marketing endeavors. Rather, take advantage by becoming even more strategic in how you spend your marketing budget.

Critically review your marketing strategy. Look closely at the market segments you serve, and those you don't. Retract from low-segments in favor of more profitable ones. Re-evaluate your target market to see if it is still appropriate for the economic times.

Use free or low-cost advertising and marketing strategies, like fresh news and blogs on your website and sales contests.

Give something of value in exchange for names and email addresses of potential customers.

Evaluate your brand image and your collateral materials. Make sure your message is consistent and streamlined, and that your value proposition is clear to potential customers.

Implement a strong relationship marketing campaign.

Identify means to “touch” existing customers. All phone calls or emails are an opportunity to spark a sale and a confirmation of the strength of your company. Refrain from overwhelming your customers. Some studies say that 24 touches per year, or about two a month, are ideal for retaining customers.

Increase your public relations efforts. Work to keep your company name in the marketplace. Write press releases on news in your business, announcing new hires, partnerships, deals, relocations, or community service. Send the releases to radio stations, magazines, newspapers, and TV stations as well as any membership organizations you belong to including the Knoxville Chamber. Press announcements are free advertising for your business and communicate a positive message. Many TV stations have a community calendar. Use these free resources to publicize special events you may be holding.

Grow and use your network. People do business with people they know. Get out in the community and meet fellow professionals. The Knoxville Chamber offers many unique opportunities to meet potential clients, including Business After Hours and A.M. Exchange events. Attend events hosted by professional and trade organizations to find people in your field. Remember to get business cards, and call a few days later to follow up and reinforce the impression you left. Even if you do not get new business directly at these events, the contacts you make will refer you in the future.

Know what advertising is effective. If you don’t have statistics on your media outlets, ask for them and compare them to the referrals you’re receiving. Concentrate your advertising dollars where you see real and direct results.

If you only have your message in one venue, like the newspaper, consider spreading your message through multiple media. Try radio or TV advertising. Use the internet or the Chamber’s targeted publications, such as the Relocation Guide or Weekly Email Digest. Make sure your advertising message is clear, consistent, and coordinated in all the formats you choose.

Benefit from past experience. This is likely not the first economic downturn your company has experienced. Review what worked in the past and how you might use those ideas in today’s markets. Ask your peers and mentors what strategies they have used during down times.

Demonstrate value. Being a low-cost leader is an attractive strategy in down times, but cost is not the entire picture. Showing value, delivering on promises, and highlighting facts can give your product or service the edge you need to defend against lower-cost competitors. If you are the low-cost leader, remember to show that your offerings are not just inexpensive, but also worthy.

Analyze your competition. If you know you are losing customers to a certain competitor, find out what they are doing. Do not assume that price was the only factor. Check their advertising, products and customer service. Is there something you can offer to win back lost customers?

Ensuring Financial Stability

When sales are down, the pressure to run a tight financial ship increases. Many practices, like aggressively collecting on receivables, are relaxed in good economic times. In an economic downturn, it's important to concentrate on these cost-saving and collecting habits. Also, now is the perfect time to assess and streamline your expectations to become even more efficient.

Create or revise your business plan. Your business plan is your strategic road map. It should keep you focused on your core business strategy. It is essential to attract investors and financing. If you don't have one, creating one is your first priority.

The planning process will help you define your products and services, your customers and your finances. A completed plan is an operating tool that will help you manage your business effectively. The plan also communicates your ideas to others and provides a basis for financing.

Objectively identify strengths and weaknesses, pinpoint needs you may have overlooked, find problems and opportunities.

A good business plan should address capital reserves and cash flow, ensuring that you can outlast a downturn.

Be conservative in income and sales planning. Take the worst-case scenario as your basis.

Spend money only if it creates a return on investment. Do not spend a single dollar unless you feel that you will get more than a dollar back on your investment. Where does your money go? And is it driving business to your door?

Review secured and unsecured debt. Reduce as much debt as possible, paying off high-interest loans first. Ensure that any new debt is only for long-term business necessities. Expand only through organic cash flow. Do not delay payments to suppliers and creditors. Delaying is truly only using short-term debt to finance daily operations. Some entrepreneurs pay bills right away in order to see the monthly net earlier.

Consolidate purchasing responsibilities. If your company currently allows each department to order independently, consolidate that purchasing responsibility, even for office supplies. Check stock totals of the company's resources before ordering. You may be able to re-allocate from different departments and eliminate the order, or order in bulk and distribute appropriately.

Work with your suppliers. Look for patterns in your ordering behavior and try to optimize orders according to your needs. Consider just-in-time arrangements or automated ordering procedures. Work with your supplier to negotiate better contracts with new ordering requirements. Your suppliers are most likely also hurting for business, and should be motivated to keep you as a customer. Also, take advantage of supplier discounts for prompt payment. If payment issues have surfaced, keep open communication with your suppliers. Be open and up-front about making good on your accounts.

Maintain a close relationship with your banker and lenders. Contact your banker and lenders and let them know how you're doing. They may have innovative solutions to help improve your standing. Banks are looking for business to boost their income, but will avoid risky loans in this environment. Current updates will keep the lenders on your side. If you have delinquent loans, keeping in touch with your lender may lead to a different payment plan, hardship programs, extended terms, or a recommendation for credit counseling.

Fixed costs are not always fixed. Negotiate with your landlord for better lease terms. Consolidate your operations and see if you are truly using all the spaces you have. If you have extra space, sublet the unused space, reducing overhead and adding income. Some sole proprietors are looking to share an office and reduce costs for copiers, printers, and receptionists. If rent is becoming too much of a burden, consider moving. Talk to utilities about fixed payment plans and other solutions for businesses.

Focus on Collections. Give your customers set payment terms, and keep them to it. Make sure that you're not over the average collection period for your industry. Nobody likes this hard job, but it has to be done to ensure the health of the business. Also, consider offering a small discount to your customers for early payment.

Invest Wisely. Look for short-term investment opportunities and cash management alternatives. When investing in capital goods, wait until the end of the year for close-out sales. Delay purchasing high-ticket items until the upturn starts, if possible.

Consider reducing taxes by initiating a retirement plan. Tax-deductible contributions provide a benefit so great, they may offset the cost of contributing for employees. Retirement plans can also help retain key employees. Making an end-of-the-year contribution to your employees' plan is a great way to reward them, particularly when there is extra income.

Cost Savings

Good old-fashioned cost savings can add up. Is the brand name tape necessary, or will a less expensive version do? Small savings add up to big savings, helping with cash flow.

Rethink Meetings. Try a conference call or web conferencing instead of taking that long business trip or drive across town. Of course, face-to-face contact is important. Switch that business lunch to meeting for coffee to rack up the savings. Encourage carpooling among your workers, and think about joining in.

Go Green! Many companies are realizing that green business practices make economic sense. Simple environmental steps can save costs in the long run.

Print on both sides of the paper.

Recycle paper and ink cartridges. Some companies will give you a rebate for your used ink cartridges.

Go paperless, or as paperless as possible. Place orders by email or telephone, not by fax or mail. Save confirmations on your hard drive. Use email or an intranet for internal communications.

Send documents by email instead of a fax. Many printers are equipped with a "print to fax" function that sends a document directly from your PC to the recipient's fax machine.

Switch to compact fluorescent light bulbs as your current ones burn out. Compact fluorescent bulbs are now competitively priced and save on your electricity bill in the long run.

Turn off lights when you're not in a room, turn off copiers and fax machines on the weekend and at night, and leave them off until you need them.

Keep your thermostat at an appropriate temperature for the season: 68 degrees in winter, 78 degrees in summer.

In the summer, allow your workers to wear comfortable clothing. The cost of cooling the office to make workers comfortable in a suit is unnecessary.

Use drapes and shutters to prevent heat loss and heat gain.

Keep exterior and freight doors closed as much as possible, and turn off exterior lighting during the day.

See the Knoxville Chamber's Green Business Recognition Program for more information and tips.

Weigh connectivity versus cost savings. Your PDA can search the internet, send email, take photos, and even call someone, but at what cost? Cellular service can add up quickly. Look at shifting more calls to your land line and restricting emails and internet to the PC to reduce your minute levels and data packages.

Nice or necessary? Are cable television and water bottles in the break room necessary? Do you need gel pens, or will regular stick pens do? Find out what items are required and what are just nice to have, and keep only what is absolutely necessary.

Optimizing Operations and Inventory

Obesity is an epidemic in America, and not just in people. Many businesses have “fat” in the form of un- or underused resources lying fallow. Sometimes, great cost or time savings can be found by optimizing processes. Inventory levels, internal processes, and store or factory layouts should be analyzed and optimized. Consider green strategies, like recycling paper or going “paperless.”

Try some of these tips to slim down your business operative costs:

Analyze your inventory. In an economic downturn, sales slow and inventories increase. Know what products or items are absolutely necessary, and which are slow-movers. Reduce inventories of those items or consider removing them entirely. Take advantage of availability: if you can receive a product within two weeks of ordering, why have a thirty-day supply?

Look at work processes. Some of a company’s hidden “fat” is in work processes. Examine your processes for redundancies and chances for automation. Make sure that computer systems interface seamlessly. The best automation is ineffective if a worker has to re-key items. Engage your workers in finding ways to expedite and optimize work flow.

Know the costs of doing business. Be sure to understand all the costs of producing your products and services, including staff time. Seeing all the costs together can help identify “fatty” areas that can be optimized. This will help you understand the profitability of each of your products and services and allow you to focus on what is most profitable.

Consider contractors. For services that are not core to your business, try hiring a contractor. If you are currently doing the books yourself, but are a sales genius, the time gained in hiring an accountant or bookkeeper may well make up for its expense.

Evaluate employees. Many companies, upon facing hardship, use blanket layoffs as a cost-saving strategy. This could cost you your remaining business. Ensure that the levels of service can be maintained. Consolidate employee responsibilities and consider contractors for non-core business activities. Avoid keeping workers solely on seniority, but look

to their current contribution to the firm. Although Tennessee is an employment at-will state, operate within the law in terms of notice and pay, especially if you are a government contractor.

Examine pricing. Price your services or products competitively and consider incentives. Where possible, build partnerships to increase the value of your offerings.

Do not cut items that directly affect the company’s bottom line or provide short-term savings at the expense of long-term income and market share.

Examine what your competitors are providing at a similar price point and quality. Strive to provide higher benefits, making pricing appropriate to the customer.

Perceived value needs to be apparent when pricing all products and services. The greater the perceived value, the more frequent the purchase and more likely the referrals.

Special considerations for retailers:

Are you buying the right merchandise, and keeping your displays fresh?

Are store clerks well-trained and knowledgeable about the products?

Are competitors getting the edge through larger sales or store events?

Is your store unique? Pique customer curiosity.

Are you “wowing” your customers? Find ways to keep your customers loyal.

Are you boosting the community? Locals prefer to shop where they see community support.

Do you follow up on big sales? Send thank you notes or make personal calls to the customers with large purchases. They will appreciate the personal touch and remember you when they need to make a referral.

Do you have a website? If not, establishing one is a priority. Not only can a website drive sales to you, but customers view a website as a legitimizing factor. Many companies offer web design and maintenance services.

Look at your business card. Does it mention the products you offer? Does it list your website? Does it have your value proposition on it?

The Human Touch: Dealing with Employees During a Recession

Your employees are the core of your business. Cutting staff can produce short-term benefits, but can negatively impact your business in the long run. Hard economic times present both challenges and opportunities in this area. Here are some tips to help you navigate these strange waters.

The cardinal rule is to keep your service level as high or higher than usual. Cuts that result in long lines, slower production, or bad service will push clients away from your business. Contractors, part-timers, or freelancers may help you in this situation.

Treat your employees fairly and with respect. Your actions now speak volumes about your company. Unfair treatment may lead to lower productivity in general or you might inadvertently push crucial employees out the door.

Talk to your employees. Ask them what can be done to save costs. They also interface with your customers the most: use this resource to improve your product offerings. Be open with your employees, and you may find interesting alternatives to layoffs, like shortened hours, hiring freezes, early retirement, or job reassignments and sharing. Accept responsibility and be honest.

Slow times are excellent opportunities for training, especially low-cost on-the-job instruction. Make sure your employees are using their time to your full advantage. These skills will add value when the economy rebounds. Other companies are cutting staff, so you may be able to pick up

valuable employees with sharp skills and key market knowledge. Additionally, new hires will reassure your current staff that your company is stable.

Communicate changes, especially positive results. Show staff how changes have improved results and celebrate sales and increases in productivity.

Cut your own salary before laying off employees. Employees will be more understanding of the need to sacrifice if you set the first example.

If layoffs are necessary,

Do not use seniority as the main criteria for keeping employees, if possible, try to prioritize based on employee skills and abilities.

Communicate in writing and in person with managers and employees. Make sure your staff understands the need for layoffs, even after the cuts have been made.

Make all layoffs at once. Doing otherwise leaves everyone hanging and unproductive.

Talk to your labor relations specialist or lawyer before proceeding, and document everything.

Although Tennessee is an at-will employment state, make sure you act in accordance with Federal law in terms of notice and pay, especially if you are a government contractor.

When to Ask for Help

Sometimes, there comes a point when it's time to call a professional. A well-timed conversation with your banker may be able to financially restructure your business, saving you interest or taxes. Help from an outside business advisor may give you a fresh perspective to open a new market or rethink your sales strategies, increasing your sales.

Here are a few signs that can help you turn your business around before the effects of a downturn becoming tragic: courtesy of SCORE (the Senior Core of Retired Executives).

Forecast your cash over the next three to six months.

By looking to the future, you can avoid cash shortages now. Also, you have more power in negotiating with creditors when your current financial situation is relatively strong.

Sales slide dramatically. If you see a drop in sales of five to ten percent in a month, it may be time to ask for help. Additionally, if your sales continually decrease two to three percent per month over a quarter, get some outside advice. A small one-time dip may be a blip on the radar screen but dramatic changes due to changing markets require a rethinking of your sales and marketing strategy. A fresh perspective from a third party can offer you innovations and strategies that are new to your business or industry, opening up new sales markets or reactivating current customers.

Employee turnover increases significantly. Especially in service industries, your employees have the most customer contact. Sometimes they know as much or more about the environment and attitude of customers than some owners. When they leave in large numbers, the waves lapping at the side of your ship of enterprise may be stronger than you feel in the captain's cabin.

There are many resources to assist you in surviving and succeeding in tough economic times. Do not be embarrassed about your situation. The economy is tough, and the professionals you work with know that and want to help.

Your bank and financial advisor may be able to help you restructure your business. SCORE, offers "Turnaround Teams" of seasoned executives to review the general health of your business and offer solutions to improve it. The Tennessee Small Business Development Center also offers free consulting to small businesses and start-ups.

Use a recession to get ahead in the long term. Every cloud has a silver lining. Your company stands to benefit from the opportunities during a slower economy. Utilize the downturn with these ideas.

If your employees' workload is lighter, consider using the down time for training.

Other companies are laying off highly-qualified employees with key market and industry knowledge. You may be able to snap up these employees.

Your competitors may cut back on advertising and therefore become less present in your customers' perception. Use this opportunity to maintain your marketing efforts, and if possible, increase them. Your continued presence will be a beacon of stability and trustworthiness for your customers.

Other businesses may be jettisoning equipment and capital goods. If you need to replace big-ticket items, consider getting them from troubled businesses or a liquidation sale.