

August 2008: What to do in an Economic Downturn.

We are all experiencing the on flows of higher interest rates and lower consumer confidence. But what is happening this year is no different to 2002, 1996 or even 1987 stock market correction.

A recent survey of highly successful small to medium business owners on the topic on how to survive and prosper when the economy slows down found nine ways of how they managed.

In order of priority, these business owners;

- 1) Managed working capital. They reassessed what is working and what is not working. They stopped spending money on products that were not selling in numbers to justify stocking them. They spent money on products and services that gave them the highest sales and profits.
- 2) Tighten cost control. They negotiated their fixed costs (rent, phone accounts) and recycled paper and turned off unnecessary equipment.
- 3) Maintained strategic focus. They went back to the basics of business and continued their strategic focus and not bale out and change direction at the first sign of a downturn.
- 4) Focus on Profitable customers. Not every customer is profitable, but the ones who are need to be contacted on a regular basis and reminded of the quality and service the business can provide.
- 5) Inspire and enrol your people. The more the staff knows how the business is going the more they can help. Keeping them in the dark only increases rumours.
- 6) Increase marketing. Most people stop advertising when there is a downturn, but successful businesses increase their marketing to existing clients (letters, special offers phone calls etc).

7) Improve systems and processes. Now is the time to look at all your processes, are they too complicated? Are the same mistakes happening over and over again? Can you simplify your systems to reduce costs?

8) Strengthen key relations. Your accountant, bank manager, key suppliers. Keep them informed before things go bad. They may have the answers and contacts to help you before it's too late. Can you negotiate better trading terms?

9) Exploit opportunities of the new market conditions. More millionaires have made their wealth during recessions than in the good times as they saw opportunities to introduce a new service or product that others were waiting for the ideal time.

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