RECESSION RESCUE

HOW TO RECESSION PROOF YOUR BUSINESS

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Business owners are facing unprecedented challenges with the COVID 19 (coronavirus) outbreak. The pandemic will eventually pass but not before it leaves its mark on a range of industries including international travel, tourism, hospitality and of course, healthcare.

There will be significant unemployment and already hundreds of thousands of casual workers have been laid off. Supply chains have been disrupted and the Government expect we will go into economic recession (negative growth) for the first time since 1991. That being the case, most business owners are about to sail into unchartered waters. The last recession-like economy in Australia wiped out almost 75,000 businesses.

While some people have hit the panic button it's important that business owners stay calm and start planning. It's time to work **ON** your business as opposed to working **IN** the business. Think about what impact this pandemic might have on your revenue and sales. Create a contingency plan on the basis you don't generate revenue for 4, 6 or even 8 weeks. Remember, when the pandemic passes, your sales probably won't rebound to the levels you were achieving before the pandemic.

Our economy is a massive 'machine' with lots of moving parts and it will take time to crank up again. There is a lot of uncertainty and the cause of this economic shutdown is very different to anything we've seen in our lifetime. American business magnate, Warren Buffett once gave a famous warning: "It's only when the tide goes out that you learn who's been swimming naked." When the economy is booming the weaknesses in a business can be concealed but when the tide turns, both the strengths and weaknesses surface.

We appreciate this is a stressful, complex and difficult time for clients but as your accountants we are here to help you. Unlike previous recessions, this downturn came with virtually no warning sign and the economic impact will vary by industry. Unfortunately, there's no silver bullet or quick fix to help business owners weather the storm. The 10 strategies in this booklet serve as a guide but when businesses are forced to cease trading and can't generate revenue for a period of time their survival might hinge on cash reserves and government support.

We recommend you prioritise the strategies and put together a plan for implementation. Of course, we are here to help and please contact us for advice and assistance.

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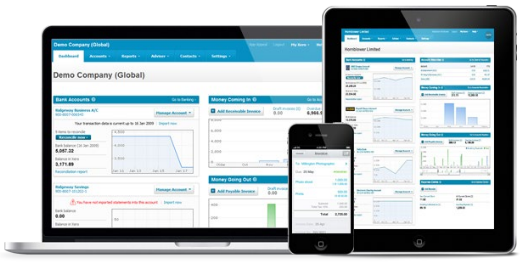
1. Improve the Quality of Your Financial Records



In boom times it's very easy for business owners to ignore the quality of their financial reporting system and turn a blind eye to financial management issues. Unfortunately, when these bad habits spill over into difficult economic times it can have catastrophic consequences.

The most basic requirement for a successful small business is quality, accurate financial records. Up to date, accurate financial records allow you and your accountant make informed business decisions. They provide vital management information needed to grow your business and monitor key performance indicators.

The right software is critical, and a lot of business owners still use accounting software beyond their business needs and level of accounting skill. The net result is they produce what we describe as 'computerised shoebox' records.

You also need good accounting records to demonstrate your financial position to banks, other lenders and potential buyers at some time in the future. At any given time, you need to know your accounts receivable position, accounts payable and bank balances.

2. Failing to Plan is Preparing to Fail: The Cash Flow Budget

Historical data is important but you'll 'crash' the business if you drive it by just looking in the rear-view mirror. Today's decisions will impact on your future results.

If you don't have a plan in place or prepare an annual budget, then you are asking for trouble when the economy turns south. It's easy to get complacent during the good years but a budget creates a blueprint for the future that you can measure your actual performance against.

A cash flow budget can identify if and when you expect to need additional finance. While generally we prepare budgets at the start of each financial year, your budget is always a work in progress under constant review. Cash is more often than not the reason why so many businesses fail and not necessarily the lack of sales.

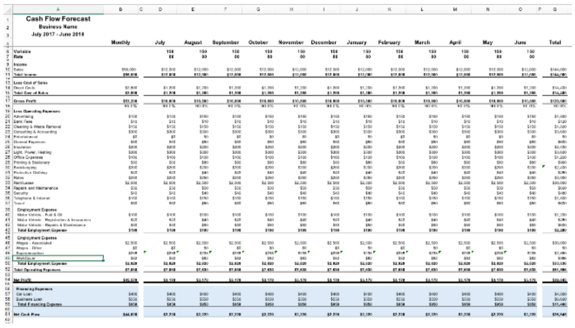
A positive cash flow is an absolute necessity if your business is to succeed and it just doesn't happen - it needs to be planned. That's why we strongly recommend the preparation of a 12-month cash flow budget. In fact, any business that fails to accurately forecast its cash flow is on a collision course because without realistic cash flow projections, management is unable to identify future cash shortages.

The cash flow budget is based on a number of assumptions regarding the expected future performance of the business. The assumptions must be realistic and supported by research, available data plus known facts such as rentals or forward contracts. The information in your cash flow budget is designed to:

- forecast your likely cash position at the end of each month
- identify any fluctuations that may lead to potential cash shortages

- plan your various taxation payments
- schedule any major capital expenditure, and
- provide prospective lenders with key financial information including loan serviceability

We can assist you with the preparation of your cashflow budget and do some financial modelling based on different scenarios. After you have completed your cash flow budget and you're confident that it actually reflects your predicted position, you should be able to identify if you're likely to need an injection of funds to support the business. Careful planning might let you restructure the timing of certain payments to prevent a cash shortfall occurring.



If you have seasonal peaks and troughs in your cashflow, an overdraft facility, line of credit or business credit card could be the answer. These can be costly if used to fund debt in the long term or used to buy capital items such as equipment or cars. Try and match the life of the asset with the life of the loan. Long term assets should be funded using different types of finance such as a lease, chattel mortgage or business development loan.

Rapid sales growth can also put a strain on the business cash flow as there may be more equipment or stock needed. Sources of finance can include:

- Outside investors such as a silent partner or extra shareholder
- Using net profit already generated (which may not be enough) and remember the Tax Office will eventually want their share.
- Extend terms of trade with your creditors i.e. pay 30 days not 7 days as they are usually a 'free source of finance'.
- Lastly, go to the bank.

3. Unlock the Hidden Cash in Your Business

A common symptom of an economic downturn is a slowdown of the payment cycles. If customers don't pay on time, there will be a squeeze on your cash flow.

Of course, a successful business needs more than just positive cash flow. The business must also be profitable and the long-term trend for both cash flow and profits must be positive. You need to make sure you have enough cash available at the right time to pay all the bills. In particular, you must be able to pay your suppliers, staff and obviously meet your ongoing tax obligations.

There are many places your cash can be hidden and if you do a quick estimate of how much money you have tied up in debtors, suppliers paid too quickly, excess or slow moving stock and work completed but not yet invoiced you might find it's worth investing some time to address each of these areas. It could be a lot of money 'locked up' that you might need access to in a downturn. If you run an overdraft, it will also reduce your interest bill.

Let's examine each of these areas in detail.

A. Debtors

Remember a sale is only completed when your invoice is paid in full. Many people concentrate on making the sale but fail to set up the credit control procedures until they experience a bad debt. These procedures should be in place from day one and you need to create a terms of trade policy that can be provided to customers that outlines what is expected of them and the implications should they not comply with these conditions. Don't rely on verbal or handshake agreements in business.

Consider how and when you want to be paid and the impact on your cash flow. If you currently trade on a cash only basis and are considering offering terms this should be built into your cash flow budget to determine the impact on your month end cash position. Consider the additional risk to your business, uncollectible accounts, systems and processes. On the other hand, if you get it right it may bring you more business opportunities and more customers. If you have exposure to only a couple of major customers, this can also pose a risk to your business if they get into financial difficulties. Make sure that you check credit references and your invoices are sent direct to the key person in the business.

You need pro-active management and communication with customers to ensure any slowdown does not result in an increase in bad debt levels.

Tips for Managing Accounts Receivable (Debtors)

1. Make preparing your invoices one of your highest priorities
2. Send out regular customer statements
3. Appoint an accounts receivable manager and encourage them to form a favourable relationship with the person who pay the bills
4. Provide customers with information about the payment processes available
5. Identify how customers will pay at the point of sale - cash, cheque, EFT
6. Provide your account details in writing
7. Include due dates on all invoices sent out
8. If you offer a discount, make sure it is clearly spelt out on the invoice
9. If they are old school and pay by cheque, send a stamped, self-addressed envelope with your invoice
10. Categorise slow payers and deal with them accordingly
11. Reduce the grace period for late payment and increase the frequency of reminders
12. Make collection calls early in the week and be personable!
13. If there are issues with payment, suggest a repayment plan with an initial deposit
14. When an agreement has been reached, immediately send a formal email/letter
15. Pay suppliers on a chronological basis – rather than paying all on the same day

Key Performance Indicator – Debtor Days
How long do your account customers take to pay? A debtor stringing you out for 60 or 90 days can cripple your cash flow. Several slow payers can bankrupt you! Put in place a debtors' collection policy and system and stick to it!

B. Suppliers

Suppliers might be getting paid too quickly. As you know, the supplier who rings and annoys you for payment often gets paid first when they shouldn't. This can play havoc with your cash flow and you need to use up all your available terms and even negotiate better terms. If you can consider:

- Holding Stock on consignment
- Substitute cheaper materials
- Investigate alternative suppliers and explore their prices and terms. Keep your suppliers on their toes and make sure they earn your business
- Challenge price increases

C. Work in Progress

This can be a real hiding place for cash. If you have multiple jobs on the go at once it can be difficult to manage and get them to the point of invoicing. There can be all kinds of delays including slow delivery of parts, labour issues, getting access to job sites etc. If you are tracking stock manually or in your head without any process, then it could create big cash flow headaches.

D. Stock

Stock is really your cash piled up in your storeroom or on your shelves. Do you have any methodology behind your stock purchasing? Many businesses buy when the sales rep calls or if they are offered a discount. You should only buy stock when it suits you, not your supplier.

The objective of any retailer or wholesaler is to have your stock on the shelf ready for sale for the shortest possible time. Put simply, stock is money because it absorbs precious working capital that could be used for the other things like advertising, wages and expansion costs. If you have borrowings in your business, holding excess stock could be costing you interest.

Vital to this objective is to know the sales cycle of your products, i.e. how long does it take from when the goods arrive in stock until when they are sold. You may have historical data upon which to calculate the sales cycle. If not, you need a way to calculate how long goods are sitting in stock so that you can minimize the length of time and maximize your available working capital. This is called 'Stock Days' and is an average of all stock lines. One way to calculate 'Stock Days' is by using the data in your financial reports:

Stock on Hand ÷ Cost of Goods x Time Period = Stock Days

- Stock on Hand means the dollar value of stock on hand at a given date (e.g. June 30)
- Cost of Goods means the direct costs of getting the goods ready for sale, including purchase of the goods, freight inwards, store costs (but not fixed overheads like administration costs, wages or advertising)
- Time Period is the reporting period upon which you are basing the above two numbers.

A business with $150,000 in stock at June 30 and Cost of Goods for the year of $400,000 has 'Stock Days' of 137 i.e. $150,000 ÷ $400,000 x 365 = 137.

This means that, on average, stock in this business takes 137 days from when it arrives until it is sold. Once you know this number you are then in a position to manage the situation and work on shortening the cycle.

You don't want to carry too much stock but at the same time you don't want to run out. There are lots of considerations including the availability of stock, the cost of stock, storage and transport, what contracts are in place and the nature of the stock (whether it be perishable or seasonal), how you plan to sell the stock, made to order or off the shelf.

Again, a good stock control and record keeping system is required that tells you the following:

- What is selling
- What isn't selling
- What are the slow-moving items
- What has become obsolete
- What are the trends/seasonal patterns
- What your margins are on items; and
- What is it costing you to store the stock.

Understanding the relationship between price, volume and cost and the impact on your business is vital. Buy what you need, not what you want. Ideally, have an electronic system that manages stock. You can establish your minimum and maximum stock levels for each item which makes it much easier for staff to know what, how much and when to order.

Obsolete stock can be a real 'hiding place' for your cash. It's tough to sell items at a loss but if they are going to sit there forever, you may as well turn them into working capital to spend on better selling items. If you have good records you are also in a position to know how much you are purchasing from suppliers. This puts you in a better bargaining position when it's time to renegotiate prices and terms.

Tips for turning stock into precious working capital

- Know your average stock days and work on reducing them
- Sell or dispose of obsolete stock
- Have a purchase ordering system
- Know your sales cycle and manage it
- Purchase stock based on your sales requirements but consider volume discounts
- Know your minimum/maximum stock levels for each product
- Run a computerised stock management system; and
- Know your industry average stock days.

4. Measure and Monitor

A car has a dashboard full of gauges to tell you how it's running (fuel, oil, tachometer) and your business also has indicators that do the same thing known as Key Performance Indicators (KPI's). Measuring and monitoring some of these KPI's on a daily, weekly or monthly basis can tell you what's happening in the business and alert you to potential problems.

The first casualty in a recession is usually your sales and it is important to identify the early warning signs. Review your revenue figures and compare them to last month, last quarter and the corresponding period last year. Identify negative trends and note the importance of timely and accurate financial data. Recording sales by day, week and month will help you identify any peaks and troughs in your business which in turn will help you map out your marketing strategy to counter the decline. Remember, forewarned is forearmed.

Some common Key Performance Indicators include:

- Number of Customers – How many customers do you have? Consistently measure how many customers your business serves each day, week and month. This will help identify your slow days or periods which means you can tailor your marketing campaigns to fill the gaps. If you want more customers, look at how you're spending your marketing dollars. Reallocate non-performing marketing dollars to Facebook, customer referral programs or Google AdWords. You might be better spending your dollars on refreshing your website.
- Average Dollar Sale – It's critical that you measure how much (on average) your customers spend with you. Remember to measure this by customer (not by sale) as some customers may buy from you more than once in a day, week or month depending on your business. Strategies like customer loyalty programmes are great for raising this figure which can have a profound impact on your bottom line.
- Number of Times a Customer Buys From You – If you keep customer accounts, this one should be easy. If not, develop a mechanism for measuring this (customer loyalty programs, competitions and privileged client clubs are useful). Then think of strategies to get them in the door more often. Use your direct mail skills to invite them to participate in special offers, closed door sales, time of year sales, birthday surprises - anything! Stay in contact with your customers on a regular basis and make sure you have a CRM (customer relationship management) system. Newsletters still work and keep you top of mind.
- Marketing – We can't stress this strongly enough – measure everything you do. You should know exactly how many customers respond to any marketing effort and how much they buy as a result. Every ad, direct mail piece, social media campaign or promotion should have some measurement mechanism – a coupon, a dedicated telephone number or email address, a code to quote, a free gift – something so you know how the customer came to buy. Then work out whether each marketing effort is working for you or costing you. If one is not performing either try another format, different wording, different offers etc. If it's failing dump it and allocate your marketing dollars elsewhere.
- An important point to understand is the 'lifetime value of a customer'. That is, how much they are likely to spend with you in the long run. It's ok to take a loss on a campaign if it provides you with a new customer that will generate great long-term sales. Of course, it's better to profit right up front so be imaginative and think how your mediocre campaigns might do that before you reject them.
- A key area to monitor is stock. Are your stock levels appropriate and are you holding obsolete or slow-moving stock that is costing you money just to store? A careful review of which products are selling and those that aren't is essential. If your sales are seasonal you need to be even more vigilant. Don't tie up valuable working capital that could be used elsewhere in the business.
- When cash flow is tight, small and medium sized businesses often see an immediate impact in the form of slower payment by large customers. Carefully watch your debtors and make sure all your customers are paying within your credit terms. That means that business owners should now be putting debtor management at the top of their list of items for review. During tight times, keeping debtor days to an absolute minimum is crucial, particularly as clients start piling on the pressure to extend payment terms. Early detection can be the difference between getting paid and having bad debts. Get statements out on time and keep in contact with problem accounts.

  Businesses that have been trading successfully for years can be brought to their knees very quickly when a large account falls over. As a result of one or two significant bad debts, the Tax Office could be chasing you and the banks won't extend your credit. The assets that have been built up over many years, including your home, could be at risk.
- On the flip side you may be able to put pressure on your suppliers to lower their prices or offer extended credit terms. In business, if you don't ask you don't receive. Shop around for

alternative suppliers of critical materials for your business to ensure you can complete your obligations.

- Variance Reports – Preparing a cashflow budget then measuring actual performance against your expectations will identify variances. Analysis then prompts questions such as:

  → Why didn't sales reach budget targets?
  → Which expenses had a blow out and why?
  → Why is your bank balance inadequate and what action is required?

- **Benchmarking** your business' performance against the competition lets you know what is working in your business and what areas needs working on. It shows how the business stacks up against your competitors and measures the business performance against the best and worst performers in their industry.

  The financial data used in the benchmarking process includes performance indicators that largely centre on the profitability of the business. They include profit-to-revenue, gross profit margins and comparing wages to revenue and net profit. They provide a valuable insight into the performance of the business.

- **Analytics** and business analysis used to be a marathon session between the business owner and their accountant with spreadsheets fanned out on a desk and both parties looking for processes and strategies to improve productivity and profits. Business intelligence software has simplified the process.

  Analysis software can provide information to better manage the business and improve profitability, cash flow and overall business value. The process has been labelled 'analytics' and we can highlight the financial impact of making some specific operational and financial changes in a business. It's easy to say, "You need to grow 10% this year," but what does that mean in real terms? How will that growth affect the need for capital? How will improving margins by half or one percent impact cash flows and profitability? What kind of cash flows are needed to accommodate the 10% growth?

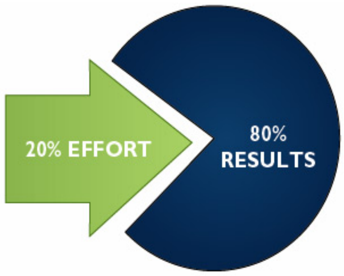
  Business intelligence software can extract basic data from the balance sheet and profit & loss statements and transform the numbers into meaningful and understandable graphs, commentary and ratios. Using analytical software can uncover profit enhancement opportunities.

Risk Status
Scan every business activity from a risk point of view. For example:

- Is the business subject to any special kinds of risks (e.g. fire)? Has appropriate action been taken (e.g. Insurance, water sprinklers)? Have alternative arrangements been made (e.g. Supply strategic customers) in the event of a disaster?
- What would happen to the business if you lost your top three customers?
- Where would you stand if the landlord did not renew the lease? Doubled the rent?
- What if a strategic supplier went out of business? Doubled their price?
- What if your IT system crashed?
- What if a key staff member was no longer available through death, illness or resignation?

We can help you map out alternative scenarios and highlight the key drivers of your business profit, cash flow and value. This allows us to help you to take decisive action.

5. The Pareto Principle



The Pareto Principle is often referred to as the '80/20 rule' and generally means 20% of something is always responsible for 80% of the results. As a business owner the message is to focus on the 20% of things that really matter. Don't just 'work smart', work smart on the key things that drive results in your business.

Selling products or services? Most likely, 80% of your sales come from 20% of your customers – the ones who make the big purchases and are repeat buyers. Cherish that 20%. Most of your profit is generated by the top 20% of clients and the other 80% take up most of your time. Be honest about your customers and their value to your business. Remember that there should be no sacred cows in your customer base.

Many business operators base their prices on the competition. In doing so they assume the competition have their pricing structure right, they have the same cost structure and that they are making a profit. The reality is, every business has a different cost structure and it is important to understand yours. Some businesses reduce their prices to obtain a greater share of the market with the aim of increasing their price at a later stage. Unfortunately, many who use this approach find out that volume is bought more easily than profits. There aren't many winners with price wars. Those who last the distance are the ones with the least debt, the strongest balance sheet and knowledge of their costs. By understanding your own cost structure, you are able to answer questions such as:

- How many extra sales do you have to generate (and maintain your profit) to compensate for a reduction in price?
- If you increase your price, what would be the impact on sales?
- How much can your sales drop (with the price reduction) before it starts to affect your bottom line?
- How many sales do you have to make to cover your costs or just break even?

Regularly review your customer database and don't be afraid to cull. There are different ways of assessing the value of customers. It could be based on their sales value or how often they buy from you. Do they pay within your terms and are they pleasant to deal with? Often you will know which customers will struggle in tougher economic conditions because they are the ones that battle when times are good.

Two important steps are required:

- Identify the customers that contribute 80% of your revenue and
- Identify the customers that contribute 80% of your gross profit

Release the low profit contributors to your competitors who are probably discounting in a recession in a bid to maintain sales. You'll benefit in two ways:

  - You'll create capacity because these customers kept you busy but not profitable
  - You'll ultimately gain market share when your competitors go broke trying to service low end customers contributing very low margins.

- Have a product range? Have a look at how much of your profit comes from each item. Put your effort into the 20% that give you 80% of your sales. Gordon Ramsay continually proves that 20% of a restaurants' menu produces 80% of the revenue. Do 80% of customer complaints arise from 20% of your products? Should you stop carrying that product because it is not a real producer anyway?

- Have a sales force? Have a look at how much of your profit comes from each salesperson. Make sure you reward and retain the 20% that are your performers. Is it only 20% of the team producing the new customers? Is 80% of absenteeism due to 20% of your staff?

Key Performance Indicator – Gross Margins

What are your gross profit margins on each product and overall? Review them in conjunction with your sales per product. Are you spending all of your effort on products that don't sell that well and produce low profit margins? If so, drop them from your product range. Don't spend 15 minutes servicing a client who buys a product that only generates a $2 profit only to watch an impatient customer walk out the door who might have generated a $200 profit on their purchase. Deal with the fear you have of saying yes to everyone and concentrate your efforts on the 20% of your clients that give you 80% of your work.

- Have an affiliate program? Find the top 20% of customers or clients who give you 80% of your income and make sure you support, encourage and reward your referrers.

- Advertising & Marketing - Have a look at where your sales come from. Do 20% of your marketing efforts generate 80% of your marketing results? Identify the campaigns and ads that really pull, and the few places where you run them that really produce. Refine your winning ads and run them in those few places that give you the best results.

- Check your web traffic logs - Do 80% of your visitors see only 20% of your website pages? Which keywords are bringing you the most traffic? What pages or blogs attract the most traffic? You'll find that a small number of keywords and pages give you the lion's share of your traffic.

The Pareto Principle serves as a constant reminder to focus 80 percent of your effort on the 20 percent of your tasks that matter the most. Those 20 percent produce 80 percent of your results. Identify and focus on those vital few tasks to maximise your return on investment.

6. Debt Reduction

Reducing debt makes good business sense. When sales slow, servicing business loans is survival 101 but banks aren't non-profit organisations. To make things tough, credit markets seize up in economic downturns.

Your cash flow budget is designed to help you plan for financial 'troughs' and you increase your chances of getting the funding, when you need it, if you plan ahead. Too often business owners go to the bank for increased funding at the eleventh hour. Financial institutions take a tougher stance on lending in recessionary times so your planning and timing is critical.

In uncertain times, it could also be time to review your business debt. What are your current lending arrangements? Are credit cards being used to provide a constant source of funding? Are you up to date with your tax obligations? A plan to consolidate debt then work out a debt reduction strategy could save thousands of dollars in interest and also ease cash outflows.

Strengthen your balance sheet and look at the mix of your debt – are you too heavily weighted towards short term debt? Try and match the life of the asset with the life of the loan. Long term assets should be funded using different types of finance such as a lease, chattel mortgage or business development loan. Speak to us about what's the best loan structure for you.

- Are your drawings too high?
- Are your Debtors and Creditors well managed?
- Monitor and manage Stock Control

7. Marketing

As business owners, you will always have challenges. Working through them is just part of an entrepreneur's brief. A recession also presents opportunities and the reality is they don't last forever. The knee jerk reaction in a challenging environment is to immediately cut expenditure on advertising and marketing. Some say those who maintain spending often emerge the strongest when the economy recovers.

Re-evaluate all your current marketing tactics. If you aren't seeing an increase in sales from every dollar you are spending on marketing, then you are wasting precious cash. Your marketing must be cost effective and efficient. Marketing should be seen as an investment, not a cost. As P.T. Barnum stated: "Without promotion, something terrible happens – NOTHING!"

It is normal for businesses to adopt a negative approach in recessionary times and cut expenditure. Your competitors might be cutting back at the same time you are ramping up your marketing efforts. It might be expensive and eating into your profits in the short term but when economy turns you will potentially have greater market share.

This will create opportunities including:

- Some competitors will trim their so called, marketing 'fat' which in reality is 'trimming their muscle'
- Your marketing will stand out, as there will be less clutter around.
- You will be able to keep your customers loyal, as well as grab some of the customers that are not being looked after or contacted.
- In the last recession, the internet was not nearly as advanced as it is now. Today you have a lot more affordable marketing opportunities
- There may be less of your traditional style customers, but the web has given you a bigger (and possible global) marketplace
- A recession will weed out the poor performing competitors, leaving more business for you
- A recession will weed out those businesses not keeping up technology and trends.

Some basic marketing rules during a recession include:

- You need to pamper your clients because your competitors will be circling them like sharks in a bid to maintain their sales. Look after your loyal clients because they are the source of your referrals and growth. You need to let them know you appreciate and value their support. Keep in regular contact
- Only undertake marketing that works and is measurable. This is no time for experimental advertising
- You will get 5 times better response with your advertising dollar if you contact your existing customers, rather than focus on attracting new customers. It costs up to 6 times more to win a new customer than it does to have an existing client buy again
- Focus on retaining customers plus winning new customers. When the dust settles you will have a larger market share and a leaner operating business

- The fastest way to grow your customer list, with the least amount of money is through strategic alliances and joint venture partnerships
- Find the hungriest crowds and grab the low hanging fruit
- Always have an offer in your advertising. If you are going to spend money on marketing give the customer a great offer or incentive to contact you. Branding does not put money in your bank account during tough times
- Negotiate on everything. During recessions and tough times, a lot of people are really hungry for business. Don't be afraid to negotiate or make an offer
- Most businesses generate 80% of their sales from 20% of its customers and 20% of its products. Focus on these products and customers – see the 'Pareto Principle' section.

Your conversion rate (i.e. closing sales from prospects) is one of the strongest indicators of marketing and sales success. Every lead will cost you something, whether it be a direct mail piece, a sales call or an advertisement on social media. You need to measure the cost of getting the lead and then the cost of converting it to a sale. Remember, it costs up to 5 times more to attract a new customer than sell to an existing customer.

Too often, business owners spend far too much energy getting in front of people who have no interest in buying instead of working out how to get in front of prospects who have the highest need for their product or service. A high growth business will have a very well-defined target customer and use targeted marketing tactics to pro-actively get in front of the customer with the problem or need they can solve.

Where you have an existing product or service, go back to basics and ask yourself which customer group has the highest need for it. Now take the time to focus on better methods of getting directly to that group. Do they have a special place they shop, meet or specific journals they read? Are they members of an association, club or business program? What social media channel do they prefer? Who else sells to them with better access to them than you? Can you partner with the other provider to gain access?

If you can better define your target customer and improve your 'fit', you can potentially increase your price and decrease your marketing spend. High growth businesses devote additional resources to their target customers to increase market penetration and referral sales. They tend to focus their marketing online.

For more detailed marketing strategies we recommend you download our other e-Booklets - the New Business Starter Kit and The 1 Simple Secret to Growing Your Business. The 1 Simple Secret booklet provides step by step instructions on how to build a lead generation website.

8. Control Expenditure

As you battle to maintain your customers and level of sales, you also need to keep your expenses on a tight leash. Put away your credit card if you are using them for the wrong purpose because the interest charges will hurt. A credit card at its limit is a red flag for lenders.

Try to save on business related costs you can shop around until you find the right supplier with a combination of price and quality. A recession could mean your monthly expenses could increase. Can you reduce your expenses by cutting down on the volume you buy or split the purchase? Unnecessary costs should be totally eliminated. Areas that you might target include:

a) Rent – can you negotiate cheaper rent when your next review is due? Could you sub-let part of any unused space or move premises to smaller and cheaper location?
b) Insurances – Jump online and compare insurance quotes with websites like www.comparethemarket.com.au
c) Merchant Fees – Barter the banks against each other as a Fee of 1.8% instead of 2% on $1,000,000 of credit card sales represents a saving of $2,000.
d) Telecommunications – Mobile, Telephone, Internet. Look at packages for business phone and mobile deals that are available, but you will need to know your typical usage.
e) Advertising – Review all advertising as to the effectiveness (see marketing section)
f) Printing and Stationery – Look at sourcing cheaper re-inked print cartridges
g) Heating & Lighting – Turn off power when not used and explore cheaper providers.
h) Repairs and Maintenance – Practice preventative maintenance but check whether an update or change of method is more efficient. Insist on written quotes whenever possible
i) If staff are released, look at freelancers to complete tasks (www.fiverr.com)
j) Sundry – Improve general efficiency and systematically review all of your overheads which will include eliminating all unnecessary costs.

9. Use Technology & Systems

There's no better money-saver than modern technology. This includes using accounting and inventory software plus up to date hardware and machinery. They can create a more efficient business.

Develop functions, systems and manuals. Systems clearly spell out how to do every single task in your business and make it easy to train team members and delegate work, leaving you more time to work **ON** your business. The business owner stuck handling day to day tasks will only achieve slow growth and you need to step outside these activities during tough times.

Build your business on functions rather than the people in the roles. Good systems clearly spell out how each single business task is carried out and will ensure easy handovers, training and delegation. Many businesses are built around specific people rather than the jobs or functions those people perform. Changing your business to one that identifies functions first then slots the right people into those functions will help you build a better business.

10. Hold On To Your Best Employees

In recessionary times, your best employees have financial problems of their own. They could be nervous about their job security and look to change jobs or seek a salary increase to cope with the rising cost of living. You don't want to lose them to one of your competitors.

Losing well-trained quality staff is something that you cannot afford to let happen. The 'Pareto Principle' might show that 80% of sales come from 20% of your sales team or 80% of absenteeism is from 20% of your staff. Invest in training for your staff to improve their skills and make productivity a focal point. Involve them in improving your business efficiency and make sure you issue clear instructions and reward good ideas.

If sales dry up you may have to release staff to take the pressure off your cash flow. Retrenchments may actually remove the deadwood from your payroll and you can always hire new employees during an economic upturn. You first priority is look after you and the business, the next priority is do everything possible to retain your best employees. Be prepared to subcontract or look at freelancers to get tasks done.

Training is another pivotal area for improving the processes within your business. Regardless of whether it's customer service, phone answering techniques or computer skills, training your team members properly is extremely important to ongoing development of your business.

Measure your current performance. You must have an understanding of your strengths, weaknesses, opportunities and threats to grow your business.

Accounting for Small Business

Entrepreneurs are ambitious people who have a vision for their business. Ideally, they should surround themselves with a team of professionals that share their vision. That includes an accountant who does more than just 'keep the score'.

We take great pride in being small business specialists and view the income tax return as the start of the client process, not the end. Our mission is to help you grow your business, your profits and your wealth and it's our services beyond tax returns and financial statements that differentiate us from other accounting firms.

Our clients are primarily family owned businesses and they span the entire business life cycle, from start-up right through to sale. We service a broad range of industries but have developed considerable expertise in a number of specific industries. Over time we have also built a specialist reputation with business start-ups, self-managed superannuation and negative gearing. It is and our advisory services have the potential to give your business a serious competitive edge so you can grow a more profitable and valuable business.

If you're an ambitious business owner looking to grow your business, we invite you to talk to us today. Small business is our passion and no job is too big or too small for our team.

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