

Profiting in a Bad Economy

By Tom Bolt

Our islands' sluggish economies are affecting almost every business sector, with some being hit harder than others. Businesses are asking what they can do to protect themselves in these difficult times. Our law firm recently established ASSERT, an Asset Stabilization and Strategic Economic Recovery Team, to assist local businesses in the dealing with current troubled economy offers the following advice:

1. First and foremost: Stay in close contact with your current customers.

Most companies find that new business opportunities (either additional sales or referrals) come from existing customers. Identify customers' needs by visiting with them. Be proactive -- don't wait for them to call you. When there are limited growth opportunities due to a down economy, competitors will try to gain market share by taking customers from you. Don't be vulnerable by being absent.

2. Look for opportunities to reduce operating costs, but don't cut indiscriminately.

Overhead costs include everything you need to run your company, such as payroll, insurance, marketing, leasing or mortgage expenses, utilities, computers and supplies. Examine your costs to determine what expenses could be reduced without hurting the company. While marketing and advertising are often the first areas to get cut, trim -- don't slash. Many studies have been conducted which suggest that companies that maintain their marketing and advertising investment levels during a recession perform better during recessions than their competitors and for several years after.

3. Narrow your focus based on fact.

Some businesses become more profitable when they focus on certain types of work instead of trying to do it all. Sometimes we provide goods or services that take resources from the business, while contributing little to the company's bottom line. Lumped into "income" the related revenue may look beneficial, but if analyzed and compared to the cost of providing that particular product or service, it may not make sense. Get help to analyze the cost vs. benefit, so if you do have to make cuts in operations, you're making decisions based on fact, not gut instinct.

4. Manage billing and collections.

Businesses lose thousands of dollars each year because they fail to manage their billing and collections. Too often, a company will send a bill and wait for the client to pay, failing to take any action until the bill is "over 90-days" due. At that point, it's difficult to collect the full amount.

During slowdowns, customers may try to extend the time they take to pay you. Monitor the terms you have with customers and notify them immediately when they are not meeting them. To be paid first, not last, you may want to include an incentive for early payment. This approach may work better than a penalty for late payment, which is typically hard to collect.

Bill quickly. The longer you wait to bill, the longer it will take to get paid. Seems like common sense, but it's amazing how many businesses put off billing, and then expect to be paid immediately. Customers will never perceive more value than they did the minute you delivered the product or service.

5. Talk to your team members.

Tell them what's going on with your company. Those who have information from the top are more likely to try to contribute to a solution and less likely to imagine the worst. Not talking, or making comments about "tough times" hurts morale, which has a direct impact on your bottom line.

6. Invest for the future.

The bad economy and the prospects of high unemployment can provide opportunities for healthy companies to position themselves for growth when the economy recovers. You may be in a position to get better rates on leasing space, construction (if you need or want to build), office equipment, etc. You may also be able to acquire key personnel or outsource projects to contractors who are newly unemployed and looking for opportunities. The path to profitability is paved with vigilance. Keeping a close eye on overhead, tightening up on billing and collections, narrowing your focus, and taking advantage of opportunities, will help your business weather the current economic situation