

## Grow your business in a recession

For SMEs, keeping a eye on the core business, maintaining a healthy cash position, reducing operating expenses, increasing efficiency and strengthening existing supplier and customer relationships will all go a fair way to help ensure your business weathers today's tough economic climate.

Don't get too bogged down in battenning down the hatches - downturns can also open up opportunities and continued investment during a recession might actually be the smartest move you make.

While the first priority of any business during difficult times is to become more efficient and cost effective, if you are focused, resourceful and proactive in spotting opportunities to grow - even during a recession - your business will be in a much stronger position when the market recovers.

As a result, you may find that you've also managed to gain market share from more cautious competitors in the process.

Here are 10 top tips to position your business to survive and even thrive in the economic downturn:

1. Keep your eye on cash-flow. Continuously monitoring and controlling cash flow is fundamental to continued business success. Monthly forecasting will ensure expenses and any planned expenditure are in line with money coming in. If you're in control of your cash, you are also in a better position to make any excess cash work for you (see investment).
2. Re-negotiate with suppliers. Lowering supplier costs will provide ongoing benefit and can be achieved in different ways. If you don't have cash available, extending payment terms will avoid having to borrow money to pay suppliers. If you do have cash, negotiate a discount for timely payment. You can also look to negotiate lower material prices from suppliers and re-negotiate terms with your finance providers and landlord.
3. Critically evaluate your staffing needs. Reducing excess staff, while sometimes unpleasant, will provide an immediate cost savings. Be careful not to let any staff cuts affect customer service levels. Some business functions can also be outsourced to independent contractors or outsourcing agencies, depending on your size.
4. Expand your supplier base. In a tough economy, don't rely too heavily on any one supplier. Ensuring that your business isn't dependent on one or two key suppliers means that if they fail, you won't fail with them.

5. Focus attention on your exiting customer base. Now is the time to make your current customers the priority. The cost of gaining new customers is significantly higher than growing your existing customer base and intelligence about buying patterns will also enable you to offer special deals to encourage customer loyalty and continued spending.

6. Build rapport – with suppliers, clients and creditors. Good relationships will strengthen your ability to negotiate better supplier or creditor terms; it will also secure business relationships through tough times and beyond.

7. Keep communications open and enlist employee support. Sharing business difficulties with employees can mobilise staff around a common goal and help identify where cost reductions can be made and how. Honest communication will pay dividends and employees, suppliers, advisors and customers are all in a position to provide advice and long-term support when times are tough.

8. Increase marketing and advertising. Believe it or not, now is not the time to reduce marketing and advertising spend. While it would be prudent to re-allocate spend to areas that are strategic to the business, continued activity to raise brand awareness and create market demand for your product or service is actually an opportunity in a downturn as you'll be doing so when your competitors are likely to be scaling down efforts.

9. Invest in new technology to lower costs and increase competitiveness. Investing in the right technology can help your business work more efficiently, cut costs, improve customer satisfaction and help you stay ahead of the competition. Technologies that enable smooth collaboration between employees, partners, suppliers and customers are a sure way to boost efficiency and reduce costs.

10. Start spending. While spending during a recession can seem the opposite of good business sense, it is in fact what smart companies do to see them through.

If you continue to invest in your core business for example, hiring additional staff or implementing new technology in a critical area that will provide competitive advantage, you're likely to be expanding at a time when most of your competitors will be contracting.

If you invest in initiatives that strengthen your business, you'll be better placed to hit the ground running when the economic climate picks up.



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