

Small Business Best Practices During Challenging Times

No one is immune to difficult times that truly put your business to the test. However, you can successfully navigate economic uncertainties with the appropriate strategies in place. Following are some small business best practices to utilize during challenging times.

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Reduce your monthly outgoing cash flow

To keep your small business healthy, cash needs to continue flowing through it. But the harder times get, the harder it can be to maintain the income your business needs. That's why it's important to be more diligent in how you are spending money.

There are many ways you can attempt to reduce your monthly overhead. Start by conducting a line item review of each expense, which will help you identify areas that need greater attention. Is it possible to negotiate a lower monthly rent by signing a long-term lease with your landlord? If you use vendors for packaging, labeling, distribution, or in other areas of your business, this is a good time to do some price comparisons. There is a lot of competition among vendors to attract new business, so you could realize some serious savings in this area. Lastly, pull back on discretionary spending like new equipment or upgrades to your office.

The common thread throughout these various methods is that you get to retain your workforce. Utilize this approach to cut costs and reduce outgoing cash flow so that you don't have to cut employees.

Adjust inventory for slower consumer spending

Your customers are likely feeling the effects of the economic downturn, too. This means that consumers are spending less money overall and you'll need to adjust accordingly.

See what can be done to reduce inventory costs without sacrificing the quality of goods or inconveniencing customers. Take a look at how much cash you have tied up in inventory. See if you can decrease the size of each shipment from your supplier and schedule more frequent shipments. By reducing the amount of inventory sitting on your shelves, you'll be able to free up some cash. It's also wise to liquidate stagnant inventory – cut your losses and move on.

Are you ordering too many of particular items? Can an item be sourced somewhere else at a better price? Is there a drop-shipping alternative that will work for you, eliminating shipping and warehousing costs?

Just because you've always ordered something from a particular supplier or done things in a particular way doesn't mean you have to keep doing them that way, especially when new options may save you money.

Cement your relationship with existing customers

When money is tight, you likely have less to spend on acquiring new customers. Now is the time to build bulletproof relationships with each and every customer you are fortunate enough to have. You need to be communicating with your customers, engaging them, and finding out what is going on in their world. These relationships provide an opportunity to make more sales without incurring the costs of finding new customers.

In order to retain their business, implement measures to express your appreciation such as a one-time price reduction, a customer loyalty card, or a referral incentive. Stay in communication with them by picking up the phone to have a conversation, reaching out via email, or posting on social media. If you want to recession-proof your business, you can't afford to ignore the potential profits to be had from established customers.

Invest in your business and yourself

In lean times, many small businesses make the mistake of cutting their marketing budget to the bone or even eliminating it entirely. But lean times are exactly the times your small business most needs marketing. Consumers are restless and looking to make changes in their buying decisions. You need to help them find your products and services.

Not only are challenging times an important time to invest in your business, they are also an important time to invest in yourself. Learn new skills through books, seminars, online training, mentoring, or coaching. Invest your current time and money in yourself to become a better small business owner down the road.

Finding a partner to guide you through it

Nothing will make your small business 100 percent recession-proof, but implementing these strategies can help ensure that your business survives tough times and possibly even profits from them.

To learn more about how PlainsCapital Bank can help your business institute the appropriate strategy to survive challenging times, contact our small business banking specialists at 866.762.8392.