

# Business Guide to Surviving an Economic Downturn



*You may be in business for yourself –  
but you don't have to be in business by yourself*



## Wyoming SBDC Network

### Business Guide to Surviving an Economic Downturn

Welcome to the Wyoming SBDC Network Business Guide to Surviving an Economic Downturn.

*(The Wyoming SBDC Network received funds from the U.S. Small Business Administration and their Portable Assistance Program following energy sector layoffs that affected Wyoming's economy.)*

This guide is designed as a working guide that will direct you through the steps as you consider how to proceed post-economic downturn, or more importantly, how to prepare before a downturn happens.

It can be used in conjunction with your local Wyoming SBDC Network advisor, who is ready to help you walk through all of the steps. Or, if you choose not to work with an advisor, it is set up so you can do the steps by yourself.

We wish you well through this process.

— *The Staff of the Wyoming SBDC Network*

#### **We Can Help**

The Wyoming SBDC Network has experts to help you before or during an economic downturn. You don't have to go-it alone. Consider strategizing now in the event you and your company could face a downturn in the future. Find more information on our web site: [www.WyomingSBDC.org](http://www.WyomingSBDC.org) or [contact us](#).



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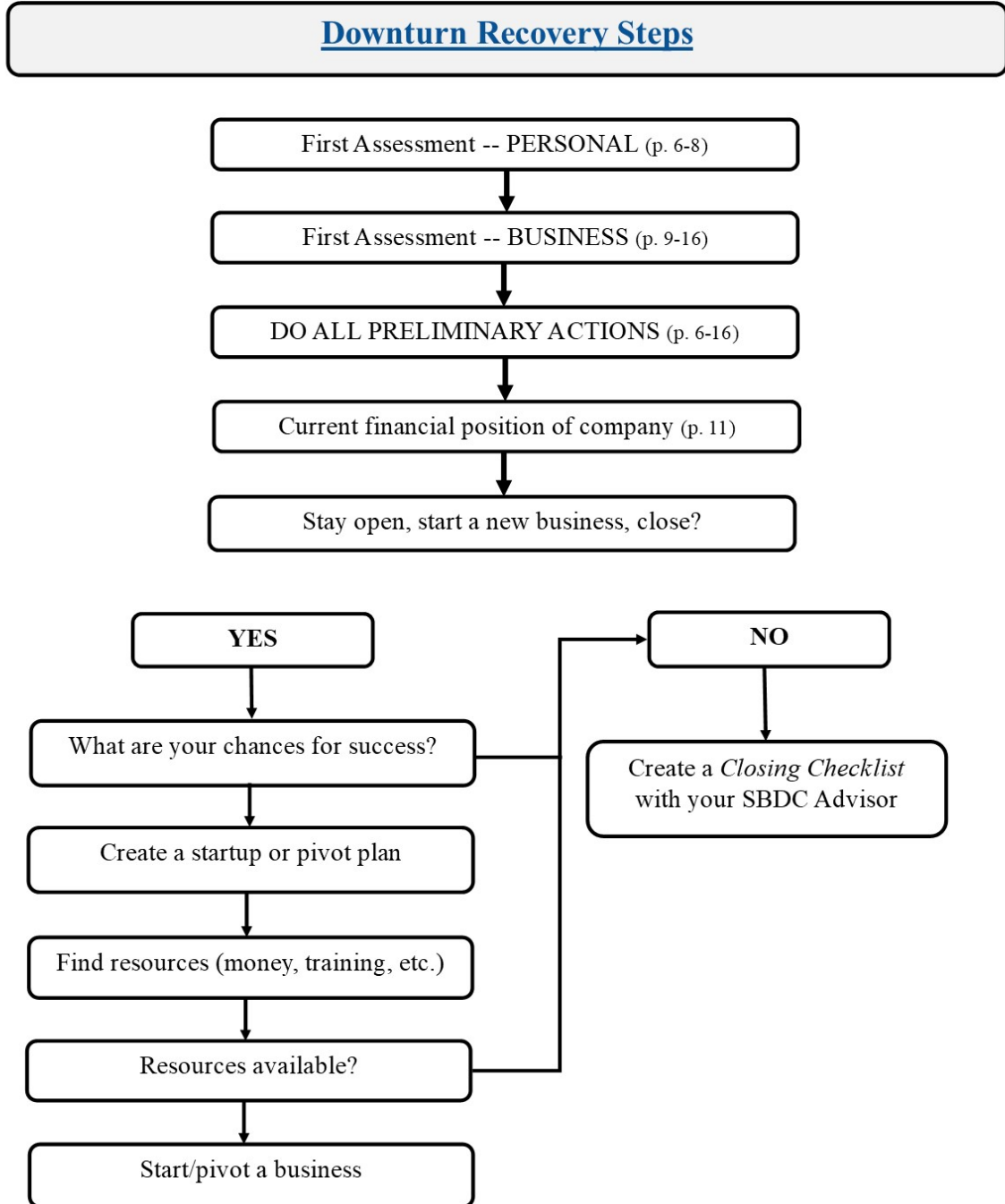
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## Who can use this guide?

- Individuals interested in exploring the possibility of starting a business with the skills and talents they possess, either to replace a lost job or supplement decreased income.
- Those existing businesses who feel they have skills and abilities that may be put to alternative uses (outside the industry that experienced the downturn).
- Existing businesses whose services are still necessary, however at a lesser demand.
- Second stage companies often require a different approach from typical small businesses. In the impacted communities, there are companies who are distressed entirely due to the downturn, but which are well run. The Economic Gardening assistance approach (a SWOT-like team approach) allows these companies to work with our knowledgeable professionals to explore new and alternative markets, improve performance, and seek new opportunities. The art of a strategic pivot!

Assistance and training for existing businesses supporting an economically distressed industry and/or affected by the massive layoffs and closures is critical. The SBDC provides assistance opportunities either through training opportunities or one-on-one assistance in order to assist both existing and startup concerns.

## General Process Flow



## PRELIMINARY ACTIONS

### First Assessment: Personal

Economic downturns are catalysts for personal, business, and community changes. These changes come from necessity and opportunity. While there are many factors in choosing changes, this guide will focus on the business aspect of finding new paths whether it be starting a business, pivoting an existing business, or even choosing to close a business. It does not address some of the deep personal aspects that come with change and we recommend consulting loved ones, mentors, colleagues, friends, and others who can help you with some of the difficult uncertain decisions you may be considering. There are some questions to review now if you are in business:

- Were you happy running the business before the downturn?
- What was the condition of the business before the downturn?
- Were you making the profit you wanted?
- What was your exit plan before the downturn?
- Do you prefer being your own boss and living with the uncertainty?
- Did you feel like you were good at or enjoyed managing your employees?
- What other opportunities have you considered in the past?
- Was there a different business idea you would prefer to start?
- Are you prepared for the extra demands on you personally and financially?
- Are you willing to take on debt?
- When do you say when? In other words, at what point do you close before you hurt yourself irreparably financially and how will you make sure you are ready to start your next adventure whether it be a new business, further training/education, or employment.

In focusing on the business aspect, the first step is to start with you, the person, and your financial needs from your business. On the following pages is a budget work sheet to help estimate your monthly financial needs. This activity may help you evaluate your current budget and might be a good time to evaluate spending and investment for you and your family's future.

Expense	Monthly Amount
Auto Fuel	\$
Auto Insurance	\$
Auto Payment	\$
Auto Repair & Maintenance (tires, oil changes, etc.)	\$
Cable TV	\$
Charity	\$
Child Care	\$
Clothing	\$
Credit Card Payments	\$
Dues & Subscriptions	\$
Electricity	\$
Entertainment	\$
Gifts	\$
Groceries	\$
Health Insurance	\$
Heat (gas, oil, etc.)	\$
Home Repair	\$
Household Expenses	\$
Internet	\$
Laundry & Dry Cleaning	\$
Life Insurance	\$
Medical & Dental	\$

Miscellaneous	\$
Mortgage Payment	\$
Personal Care (hair, etc.)	\$
Property Taxes	\$
Other Debt	\$
Rent	\$
Retirement	\$
Savings	\$
School Expenses	\$
Telephone & Cell	\$
Tuition	\$
Vacations	\$
Vet/Pet	\$
Water & Sewer	\$
Other:	\$
Other:	\$
Total	\$
Subtract: Other Family Members' Contributions	\$
Your Needed Contribution	\$





After this exercise you will have arrived at the amount you need from a new business or from your existing business to maintain your lifestyle. In forecasting and budgeting, you will want to ensure this amount is available to you or otherwise re-think your strategy in a way that will help your business achieve your financial expectations.

In downturns, it is often tempting to seek personal financing options. If a downturn is short and temporary, this Band-Aid approach may be effective, but usually, with the nature of economic downturns, recovery is uncertain if/when it will occur. With additional debt payments this could leave you in a more vulnerable position with the associated consequences.

## **First Assessment: Business**

### **Is Self-Employment or Entrepreneurship for Me?**

There is no litmus test to whether or not someone would make a successful entrepreneur. There are obvious factors that can help, such as experience, industry/market knowledge, access to capital, ability to manage finances, and other attributes, but many of these factors can either be learned or substituted by other personnel or outside people or agencies. Although research and planning will help, there is always a level of uncertainty that isn't usually associated with regular employment. Many learn to mitigate, accept, or even enjoy this uncertainty.

### **Start Your Own Business**

The Wyoming SBDC offers regular startup classes around the state and online to help people decide if starting a new business is right for your circumstances and how to go about it. In addition, the Wyoming SBDC provides free and confidential assistance to would-be entrepreneurs. There are several topics critical to address in starting a business and one would be best served by taking advantage of the SBDC's services. However, you may wish to explore these yourselves to help you decide on feasibility and plan to make sure your chances of success are greatest and call on guidance when you are ready. Some of the critical areas are:

#### **Market Research**

Understanding your business ideas true potential, finding out who your customers really are and what value you bring them, understanding trends and best practices, knowing who/what the competition is and how to differentiate yourself, and knowing what to expect financially and with industry trends, are just a few items that if you address you can be more certain on pursuing your new business and when doing so how to be more successful. The Wyoming SBDC Network has Market Researchers who have access to much of the data and information.

Businesses need to continue to monitor their markets for opportunities and threats as all markets are constantly changing with respect to customers, innovations, competition, regulations, and other factors.

#### **Business Planning**

There are many resources for Business Planning with templates, programs, samples, and others. Whether you are new to business and writing your first business plan or you have written and maintained one for years, business planning, and having it in a written form, is an in-depth problem solving process where the (future) business owner can analyze and



understand their business and adapt it to the changing markets as described above to maximize the owner's success. When writing a business plan, it is important to have a third party with less bias review it. Again, this is a great free service provided by the SBDC to assist with, especially if that plan may later be used in part for obtaining financing. Up to date templates, including financial planning, are available to download on the Wyoming SBDC's website: <http://www.wyomingsbdc.org/index.php/bus/business-services/business-planning/business-planning>.

## **Managing Your Business in a Downturn**

### **Business Planning**

In a struggling economy, having a business plan is essential to understand one's own business and every aspect of it, which exposes its core functions to being analyzed and optimized. For larger businesses, it is key that others more directly involved in areas assist, whether it be in bookkeeping, marketing, operations, or otherwise to have a true understanding of how a business works. As mentioned in the business planning section, in the start your own business section, have an unbiased person or people review it, for they may see or question ideas or functions that can lead to improvements that can increase efficiency, add sales, or maybe lead to an entirely new direction for your business that is not obvious to those working in the business every day.

### **Market Research**

Your customers, industry, regulations, competition, and market innovations are always changing. When was the last time you really explored who your best customers are? Are there other potential customers for your product/service you haven't discovered? Often with little or no modification to what a business does it can develop new customers to offset those individuals or businesses who are not in a position to purchase from you. The best way to look for this market pivot is through diligent market research and an open mind. In many states, the SBDC can assist and provide resources to help. In communities without access to market research centers often public libraries have many amazing databases to help you uncover information to help guide you as well as librarians who can assist you in learning how to best use those resources.

### **Using Your Financials to Manage Your Business**

Your business' financial statement do more than help you pay taxes, they are the numbers that tell the story of your business. You can also see how your business compares to other businesses as most financial information for industry standards is available either through a subscription service like BizMiner or in publications like the Risk Management Association's collection of financial ratio benchmarks. By looking at and analyzing the numbers behind a business, you can uncover performance issues that allow you to focus back on the business to find out what is causing those issues, which may lead to better financial performance.



We encourage you to contact your SBDC Advisor for a free and confidential financial health checkup, which comes with a detailed analysis. Your SBDC Advisor can also assist in accessing BizMiner or other relevant data.

## **Cash Flow Management**

As an economic downturn squeezes businesses financially, managing cash flow becomes critical to a business' survival. There are terrific programs that teach business owners how to understand how money flows through a business, how to improve it and discover problems that hurt your cash position. One program available through the SBDC is Profit Mastery; training is offered in-person and online. At the very least, a business needs to make sure it is collecting money from its sales as soon as possible, even before a product or service is delivered, if possible, and taking advantage of terms such as grace periods and interest-free credit from vendors. Your SBDC can help advise you with your cash flow issues. Here are some things to do to help manage your cash flow:

- Create an accounts payable list by due date. In other words, what bills to you owe and when are they due?
- Contact your vendors regarding their payment schedules. Be sure to ASK them for their best deal.
- Can you/should you postpone supply or inventory purchases?
- What can you do with staff levels? Can people work part time? Are people ready for retirement? This is a good time to evaluate staffing with a careful and sensitive view.

Finally, if you haven't been keeping a formal budget for your business, now is the time. Keeping it up to date with rolling forecasts and then comparing actual to budget will be critical to make sure your business remains solvent and help you prepare if you need to make changes.

## **Digital Marketing**

Every business needs an online presence. Businesses need to be where their customers are and in most cases now, that is online. This is where new customers can find out about your business, where existing customers can be reminded of your business, and where you can convince new and existing customers to buy from you. Beyond having a good mobile-friendly website, businesses should take advantage of listing services that are often free. Arguably, the two most important services, due to their high ranking in search results, are Google and Yelp.

To list a new business or claim Google's existing listing of your business online go to [www.google.com/places](http://www.google.com/places). Be sure to take advantage of relevant keywords for customers, free photos, and other information to help your customers find and understand your business. Although [www.yelp.com](http://www.yelp.com) is best known for its restaurant listings, it also has listings for hundreds of other business types that also show near the top in Google's search

results. You will need to sign up with yelp where you can then follow their instructions to create/manage a free listing. Yelp will try to upsell you on your listing.

Another useful tool for online marketing is social media. It depends on who your target market is and what your business does that will determine which platform(s) you should focus on. Generally, Facebook, Instagram, and Twitter are most common, but it would be beneficial to check if there are others that your customers use and where your efforts will be more effective. If you do start working with a platform, be sure to post useful and interesting content rather than a continuous ad stream, and remember, regularity of postings rather than frequency is most important.

## **Bricks N' Mortar Businesses in a Downturn**

### **Restaurants**

When economic downturns affect a community, restaurants feel a large impact as their customers choose to prepare and eat more meals at home to save money. However, the dining out experience is something customers enjoy and focusing on providing that customer experience will make and keep loyal customers. Also, most restaurants do not have large profit margins, so finding efficiencies can help keep things running smoothly. Here are some ideas to consider:

- Review your Menu.
  - Remove less popular items that do not share ingredients with other items
  - Add new items that use your existing ingredients
  - Add an affordable meal or two for budget conscious customers
  - Do not remove items just because they are expensive. Customers like to treat themselves, especially for special occasions, and you need to have these items available.
  - Can you raise your prices on some or all of your items?
  - Closely monitor your food and labor costs.
  - If you make changes to your menu, re-print the menu rather than fixing item(s) on the existing menus.
- How can you improve the customers' experience?
- Can you offer easy take-out (and with online ordering?)?
- What can you do to encourage repeat business? Changing daily specials? Happy Hour specials?
- Look at Days/Hours/Meals available and make sure they are profitable. If not, can you reduce staffing? Or maybe add lunch if your business has been dinner or breakfast only?
- Review efficiencies. How is your food waste and how can you improve it? Would an automatic dishwasher make sense?

- Finally, it is difficult, but staffing reductions might be necessary. Whether that is eliminating positions or changing full-time to part-time, but it is a major expense that cannot be overlooked.
- Make sure every sale is being recorded.
- Explore resources.
  - RestaurantOwner.com offers a membership, but you will find downloadable templates and advice. The service can be cancelled at any time. They also have a free newsletter.
    - [therestaurantexpert.com/free-resources/](http://therestaurantexpert.com/free-resources/)

## **Retail Industry**

Finding new and retaining loyal customers is always important. Inventory management, effective marketing and providing a great customer experience, including customer service is at the heart of a successful retail business and as people have less money to spend or are willing to spend as they worry, these factors become critical for a retailer's survival. Examining key factors and using best practices will help. Also, the key metric used for most retailers is inventory turnover measured by your annual sales divided by your average inventory. To see what is normal for different retail businesses visit <https://retailowner.com> and look under "Benchmarks" to find your retail business type.

## **Know Your Customers**

Better understanding your customers can help you provide the products and experience they are looking for. Learning about them is fairly easy and fun, you just need to talk to them. Some of the things to find out that can help you are:

- How did they find out about your store?
- What do they like most about your store?
- What could you improve to make it a better experience?
- Are there products they would buy from you if you carried them?
- What makes them unique?

There is a lot of data on consumers that might help you either from your SBDC's market research center or your public library might have database access. Some useful reports to look for are psychographic reports for people in your area (they are a mix of demographic information paired with lifestyle behaviors and media interests), consumer spending and leakage (what do people leave your area to go buy elsewhere) and consumer trend information. These reports might point you to another customer group that would enjoy shopping at your store plus the media they use where you can reach them.

## **Manage Your Inventory**

Inventory is expensive and risky but is also critical to your business. What items do you have that hasn't sold in years? Do you sell clothes and do you have items more than a year old? If so, you should consider having a clearance or bargain bin/rack with items placed just above your cost. Doing this can help a business have up to date products and also avoid

inventory bloat where stores become cluttered and packed with inventory that doesn't move and hides items that customers want to buy. With having a bargain rack, don't leave it out there permanently. Just a fixed time, maybe a week or two then hide it. Wait a few months and bring it back out with any additional outdated inventory. If people see it all the time it is no longer special and people lose the incentive to act as they feel it will still be there later if they change their mind.

Also, what levels of inventory are you maintaining? Is it what you need or what your supplier told you that you needed? What you don't carry in unneeded inventory will allow you to carry other inventory that customers will buy or use as money for other parts of your business.

Finally, let your customers know you will help them with specialty items. A bike store, for example, cannot carry every make, model, and size, but they can order them through their suppliers and usually offer a better price than online resellers.

### **Provide a Great Customer Experience**

Retailers sometimes forget that shopping is often more about the experience than the products. The way to affect the customers' experience can be through music, lighting, layout, smells, cleanliness, customer service, curb appeal, sales person's expertise, convenience, etc. This goes back to understanding who your best customers are and what they like and giving it to them. Also, keep in mind that most sales in the US are not planned but instead spontaneous. How do you encourage that in your shop? What have you placed in high traffic areas that people would love to buy? How about by the register? Do you suggest complementary products or products in general for customers to buy? Remember, they came in to shop and it is up to you to help them. Included is also your store hours. If your business is 9 to 5 and closed for your lunch hour your target market is the unemployed. Find out if your customers like to shop in the evening or on weekends and make sure you are available when they are ready to buy. Maintain your customers' loyalty. In the words of Tom Shay, "Never forget a customer, never let a customer forget you." He further emphasizes that 65% of customers leave you because they perceive that your business does not care.

### **Marketing**

Sometimes when things slow down the first thing to go is often marketing. This should be the opposite as when things slow down, marketing needs to increase and become more effective. This might be in your online presence (see the Digital Marketing Section), through signage and if you have a great display window, use it to make items interesting and alluring. If you advertise or plan to, be very careful. It is expensive and difficult to do effectively. Make sure advertising is targeted to your customers with a specific message and call to action and have some way to gauge whether it was cost effective.



### **Online Sales**

If your business does not sell online, this might be the time to consider it. Many small stores have a loyal following from visitors and former residents around the country who would love to buy from you if you make it easy and safe. There are many ecommerce website solutions to choose from and even widgets that fit in your web or on your Facebook page that can easily and safely manage online payments. If you consider going this route, work with an advisor or reputable company and never put your own credit card gateway online.

### **Change Decidedly and Do Not Hunker Down**

Challenging times require radical thinking and actions. Riding it out did not work for Sports Authority, Borders, or Radio Shack. Make up your mind to act decidedly. Do not cut staff, hours, advertising in order to hunker down. If something or somebody hasn't worked for you yet, this is the time for a change. Are there items you need to get rid of? What do you need to add? What do you need to try and to change? This is a great time to learn and find new ideas. The retail expert, Tom Shay, has a list of great books that he recommends you buy from your local bookstore here: [http://profitsplus.org/book\\_referral.html](http://profitsplus.org/book_referral.html). This is the time to be bold and adapt.

### **We Can Help**

The Wyoming SBDC Network has experts to help you before or during an economic downturn. You don't have to go-it alone. Consider strategizing now in the event you and your company could face a downturn in the future. Find more information on our web site: [www.WyomingSBDC.org](http://www.WyomingSBDC.org) or [contact us](#).