

## How to manage a small business during recession

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Like spring, summer, fall and winter, an economic recession is a natural stage of an (economic) life cycle. And much like how any season can produce extreme weather, managing a small business in a recession can present unique challenges for business owners and employees.

Recessions are characterised with declines in consumer confidence and decreased sales. All that threaten all businesses especially small businesses can be particularly vulnerable. Small businesses don't have reserves to help them weather difficult times. There are strategies that can help recession-proof your business so it survives and even thrives during economic downturns.

### 1. Assess your business's health

In the months leading up to a recession, consumer spending and available capital can both decline, which can cause a business to feel a pinch in their budgets.

This means some difficult decisions may have to be made regarding product pricing, marketing initiatives, hiring, benefits and even new launches. While each business will experience a recession in unique ways, the most common challenges faced by companies of all sizes include:

1. Temptation to cut product size, quality and benefits – or raise prices. When lagging sales no longer pay for the cost of doing business, businesses may look to products to find wiggle room in the operating budget.
2. Not enough capital to pay employees. Companies may feel they can no longer pursue plans to expand operations, pay bonuses or even keep the workers they have.
3. Lower employee morale and productivity. Frequent layoffs and employees asked to do more with less can lead to a culture of apprehension. Productivity can suffer when employees feel uncertain and unmotivated by bad news.

Data is the best way to meet these challenges head on. It's vital to understand what the metrics say about your day-to-day operations, even when they show that your company may be suffering.

Try to answer these questions:

1. Are there inefficiencies regarding your product or service offerings?
2. How much talent can we afford right now? How far can we really stretch people?
3. What resources do you need to maintain or exceed current output?

### 1. Protect Your Cash Flow

Cash flow is the lifeblood of your business. Money must continue inflowing and outflowing for optimum business health, with the obvious goal being that you bring in more income than you must spend on expenses. You'll have expenses as long as your business exists.

It can be admittedly hard to keep the cash flowing in. Recession-proof your business by implementing strategies to keep the cash flow moving, from increasing sales or billable services to trimming unnecessary expenses.

### **1. Focus on Core Competencies**

Small business owners often simplify the concept of "diversification," translating it to simply "different."

Simply adding other products or services to your offerings isn't diversification. At best, it's a waste of time and money. Worse, it can damage your core business by taking your time and your money away from what you do best, damaging your brand and reputation.

Drop the extras and focus on what you do best that's most profitable.

#### **1. Win the Competition's Customers**

You must continue to expand your customer/client base if your small business is going to prosper in tough times. This means drawing customers from your competition.

Offer something more or different than what the other guy does. Research your competition and see what you can do to entice their customers into becoming your customers. How are your competitors advertising? Visit their business locations. Ask consumers what they like or don't like about those companies, then tweak your own business practices accordingly.

#### **1. Make the Most of Current Customers**

We've all heard the old adage that a bird in the hand is worth two in the bush. The bird in the hand is your customer or client, and they're an opportunity to make more sales without incurring the costs of finding new customers.

Even better, they might be loyal customers, giving you many more sales opportunities. You can't afford to ignore the potential profits of shifting your sales focus to include established customers if you want to recession-proof your business.

The key here is excellent customer service. Ensure that your customers or clients love what you do or sell, and keep them happy. Yes, that means the customer is always right. Identify their needs, then meet them. You want to retain their business all costs. This is more important during a recession than at any other time.<sup>1</sup>

#### **1. Don't Cut Back on Marketing**

Many small businesses make the mistake of cutting their marketing budget to the bone in lean times, or even eliminating it entirely, but this is exactly when your small business needs marketing the most.

Consumers are restless. They're always looking to make changes in their buying decisions. Help them find your products and services and to choose them rather than others by getting your name out there. Don't quit marketing. Step up your marketing efforts.

Nothing will make your small business 100% recession-proof, but implementing these can help ensure that your business survives tough times and possibly even profits from them. It all begins with analysing how you're doing things now and looking for ways to improve.

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