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Ten steps to survival

Lauren Sankovich, 11/16/2009

By some economic experts' opinions, today's stock market momentum and consumer spending trends point to the beginning of an economic up-turn. It is anticipated that business will recover in the next two years which is welcome news, yet this recovery won't create a significant number of new jobs or greater prosperity as quickly as previous recoveries. Doing business as we've known it has changed requiring savvy business owners to think differently about the way we run our businesses. For most, change is difficult, but to stay competitive and to stay in business, executives must adapt to this new economic landscape, take risks, and be courageous.

Consider the following 10 actions sooner than later to ensure your business survives and eventually thrives once the economy fully recovers: 1. Find additional sources of credit. Few, if any banks and other sources of credit have gone unscathed by the financial crisis. If your bank has not been merged or closed down, it is certainly looking at risk in a different manner today than it did several years ago. Find as many additional sources of credit as you need to support your operations into the foreseeable future. Also consider borrowing money in 2010 versus borrowing it later as conditions may be less favorable in the years to follow.

2. Evaluate the stability of your vendors. Companies that rely heavily on a few vendors to supply them with essential products and services may no longer be in business or may have reduced their workforce and are unable to provide you with the support you need to continue running your business. Diversify your vendors and have multiple vendors in critical need areas.

3. Create a customer retention plan. A business is only as good as the companies it keeps. It's more cost-effective to keep a customer than to find a new one, so ramp up your marketing. Take care of your customers and communicate on a regular basis to ensure their needs are being met. Your existing customers may be tempted by new and perhaps more compelling offers. Reexamine your competitors' marketing and evaluate what you need to do to keep your best customers, (you know, those you cannot afford to lose).

4. Increase marketing to build your customer base. For many, the customer base has changed. Even if your current customers are unaffected by the economy, they may soon be impacted or the negative news headlines may have them feeling uncertain. Your customers may not only be more reluctant to spend, but they are also being marketed aggressively by your competitors. Consider expanding your customer base by targeting prospective customers in more stable sectors such as clean energy, security, legal, water purification, food distribution, healthcare and natural gas. As discussed in No. 3, increase your marketing efforts. Now is the best time to market your unique products and services. Distinguish your business offerings from your competitors so your customers and prospective customers understand the value of working with you. Marketing will help your business stay ahead of the competition. Since you likely have more time on your hands during this downturn there's no reason not to develop a strong marketing plan and put it to work!

5. Evaluate how you sell to your customers. As discussed above, your customers may be more reluctant to spend, so look at ways to position your product or service to deliver more value for the price. This may call for some innovation in the way you deliver your product or service, but necessity is the mother of invention.

6. Evaluate the credit risks from your new and existing customers. Customers or clients that have been a constant source of revenue, or at least have paid their bills in full and in a timely manner may no longer function as an additional source of "good credit." Conditions have changed for everyone, so it may be a good idea to rerun credit scores.

7. Evaluate your staffing plan and hire the best and brightest. Analyze your current workforce against your prospective workload for the up-coming year. If you have too many labor hours available for the number of work hours estimated consider downsizing your labor force while retaining the best people to achieve your business goals. Remember, you are only as good as the people you employ. With record unemployment many skilled professionals are available — providing your business an opportunity to fill important positions and gain market share. Take time to critically evaluate your weak staffing areas if you are to be competitive in the future. It is important to prepare your leaner workforce to handle larger loads. Find creative ways to motivate your workforce to work smarter.

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8. Consider selling/exporting your products and services to foreign markets. It's expected that the global economy will be strong in 2010 and stronger in 2011, while the U.S. dollar will continue to weaken. Foreign sales may be more profitable than domestic sales.

9. Prepare to raise prices and pay your employees more. While you may cringe at the thought of spending more to do business, you need to be prepared for a steady rise in inflation through 2012. Companies can also protect themselves from inflation by 1) purchasing goods before inflation takes hold; 2) locking future expenses into long term contracts and leases; 3) not locking into a price for future goods or services with clients; 4) planning a realistic budget with inflation in mind; and 5) raise employee wages so their wages don't fall behind the standard leaving you vulnerable to losing trained staff right when you'll need them most. 10. Ensure you're operating lean and mean. If your organization has not updated or at least evaluated its internal operations in the past year, chances are you are not operating as efficiently as possible. A business operating at optimally streamlined levels is less vulnerable to fluctuating market cycles and will be better prepared to survive in this new economy.

Put these tips to work to ensure your business is one that grows despite (and even because of) these trying economic times.

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