Business Automation Specialists of Minnesota, Inc.™

Seizing Opportunities in a Slow Economic Recovery

As the economy slowly recovers, there's no shortage of advice on what the next business steps should be, from where to cut costs and how to retrench the business in order to come out ahead of your competitors. Despite the natural inclination to quietly wait to see what happens, a recovery is actually a great time to use market conditions to your advantage. As the competition sits waiting, this can be the best time to invest in talent and R&D, increase your marketing presence, perk up your processes, and start negotiating with suppliers to greater advantage.

We are still in tough economic times, but these times can benefit those who remain strategically focused and alert. Business owners need strategies not only for double-dip recession-proofing, but for thriving in an economic recovery. We will explore how you can take advantage of current market conditions, a less crowded marketplace, and resistance to action which is still prevalent today.

Contrary to popular myth, companies CAN grow stronger during times like these

Economically challenging times can present a great opportunity for companies willing to be creative and resourceful. While some companies become more cautious, others get creative and seek new markets. They monitor debt, rein in cash collection, and look for strategic opportunities to acquire competitors or suppliers. They pour money into R&D and invest in talent.

Examples of recession winners aren't hard to find. In the deep recession of the early nineties, Apple opened its first store. In the midst of the 2001 recession, it launched the iPod. Once the turnaround arrived—and it always does—Apple came out of the gate light years ahead of its competitors.

The last recession also yielded the likes of Google and PayPal. When other companies were reducing staff and slashing their R&D and marketing budgets, these success stories were investing and making incredible gains.

Companies willing to make bold moves on the operating, financial, and technology fronts are more likely to survive—even thrive—in a downturn. Smart companies ride out the economic storm through good strategy and planning, cleaning up operations, finding ways to be more efficient, and, most of all, avoiding reactive decisions in favor of data supported initiatives.

Tap these counterintuitive strategies now

Focus on your customers … and on your competitor's customers: Keep your customer relationships strong. A weak economy makes everyone nervous—and that includes your customers. Dispel issues and negative perceptions by instituting an ongoing communication plan. Now is also the time to forge connections with your competitor's customers. Not necessarily the strong ones who are being carefully nurtured, but the ones who are slipping through the cracks— smaller customers who aren't getting much one-to-one attention and can be more easily enticed to make a switch. Test a few marketing campaigns and offers. You have everything to gain.

Boost your R&D: Your competitors might be cutting their research and development budgets, and you might be inclined to do the same, but smart companies maintain and even expand their R&D budget so they can be ahead of their competitors when the downturn is over.

Apple is famous for successfully expanding during recessionary times, spending on R&D when others are slashing. After the collapse of the dot-com bubble, which triggered the last major recession in 2000, market leaders Intel and Adobe increased their R&D spending by 6 percent and 9.8 percent, respectively. In the years following, both companies reported solid gains, outperforming the S&P 500.

Investing now means that your new products and services will be ready for launch as the economic recovery begins to speed up, giving you a competitive advantage for years to come.

Attract and retain talent: During the downturn, most companies began slashing costs, and often the first order of business was employee downsizing. Now is the time to bolster your talent needs so you're well positioned to grow. As weak companies laid off employees, many talented people suddenly found themselves looking for work. Skilled workers who remain employed may be starting to feel insecure as their firms teeter. Capitalize on the opportunity to identify and attract talented employees while the labor market undergoes a radical shift.

Make sure you also focus efforts on retaining key talent by communicating frequently and honestly with employees. Communicate your plan with employees so they can help you with its execution. By keeping employees involved, you can tap their creative energies and help them maintain a commitment to your company's success. This is also a great time to invest in training opportunities for your employees, who will be better prepared when the economy speeds up. Be creative. There are myriad ways to train employees and keep their talent and careers strong. The Internet is a great resource for finding and often delivering effective training programs.

Increase your marketing presence: Bring your marketing efforts to a halt—one of the most common reactions in an economic downturn—and suddenly you're off the radar and no longer top-of-mind. Worse, rumors start circulating that you're sinking, when all you did was skip a trade show appearance to reduce costs. Few brands can survive without advertising and product promotion. History has shown that companies who become low-key during a downturn are in a far worse position in terms of profitability, market share, and competitive presence when the upturn becomes the new reality.

Contrary to what other companies typically do, evaluate the possibility of launching new marketing campaigns. Take advantage of fewer competitors in the marketplace. It's a great opportunity to increase brand awareness and create additional demand for your products or services. In times of economic turmoil, brand loyalty can shift quickly. But don't simply continue with the same old marketing techniques. Explore different and unique opportunities to showcase your brand. Guerrilla marketing, social networking, virtual trade shows—now is the time to shift gears and take a chance on more creative ways to get your message to prospects and customers. At the same time, you should also be able to negotiate more cost-effective rates for existing—or new—advertising and marketing vehicles.

Focus on your accounts receivable: This is the time to be even more strategic about when money comes in and goes out of the company. Be very clear about the gap that might occur between paying your suppliers and having your customers pay you. This is the time to really focus on the day-by-day flow of cash. Sharpen up your cash collection policies and procedures. Get a clear picture of your collection cycle (revenue growth versus A/R %). Find out if certain customers are taking longer to pay by comparing collection patterns–year-over-year and month-over-month. Zero in on specific customers.

Take action immediately if payment cycles are becoming protracted. Harness automated solutions, such as credit card payments and electronic fund transfers, to help customers pay faster and more consistently. Harness technology solutions to link your CRM with the accounting side, and create tighter, more automated credit policies.

Before writing off customer debts (or sending them to collections), find creative and strategic ways to settle the bill—negotiate payment schedules, share talent, share customer or lead databases, or accept in-kind ownership shares from a company.

Streamline your internal processes: A key move on the operating side involves casting a keen eye on the inward processes that run your business. Pinpoint what you can do smarter, cheaper, and faster. This is the time to challenge your assumptions and get rid of methods that aren't working. At the same time, focus on the activities that really work. You'll know what these are as you dig deeper into the data and see where you're actually coming out ahead.

Align revenue and expense curves: Many companies focus on their revenue trend but ignore other important indicators, such as the expenses curve. Yet planning and budgeting for additional and increasing expenses were likely already in place before the downturn hit. Cast a keen eye on your expense line, and move quickly to align expenses with current revenues.

Empower your employees: Listen to employee suggestions in order to make small changes that will improve overall outcomes. Empower people who are in a position to know—on the production line, in the warehouse, at the reception desk. Collapse traditional company hierarchies in favor of developing cross-functional teams focused on improving a process or solving a problem. The key is to foster a cultural shift within your organization to create a mindset where everybody looks for ways to improve the customer experience, cut costs where it makes sense, and spend to get the greatest returns. Just remember, if you're encouraging employees to be candid, they should have no fear of reprisal.

Reduce infrastructure costs: Infrastructure and technologies can be a great drain on resources if they're not being used effectively. Take stock of your systems. Are they giving you enough insight into your business? If you're using older systems and can't afford to upgrade, try hosted software solutions where you can pay on a monthly basis.

Use technology more efficiently in areas like customer service and marketing. Make sure your systems talk to one another and can give you the whole picture. The more you know, the better decisions you'll make. Most companies can do a better job of utilizing the technology that's already available to them. If you're not making the most of your systems, maybe you need further training or a little more customization. Use what you have … only use it more effectively.

Rekindle your banking relationships: Access to credit lines can evaporate during lean times. During a credit crunch, meet with your lenders more often and proactively increase your financial reporting to them. Use software to automate monitoring of loan covenants, so you don't put your company in jeopardy with a missed payment. This will ensure that you protect your ability to access business loans and credit lines.

Win-win: Negotiate a better deal with your suppliers: Negotiating better deals and contracts is an absolute must for realigning and resizing your company to current economic conditions. Suppliers are worried about their business just as much as you are about yours. This is a time when they might be more willing to renegotiate cost structures to retain your business.

Explain that your company has reviewed its cost structures and concluded that it needs to lower supplier costs. Ask your supplier for lower material prices, longer payment cycles, and a reduction or elimination of finance charges. Explore the idea of buying material from them on consignment. This can also be an ideal time to identify opportunities to acquire a supplier.

Will you be bold and position yourself for growth?

History shows that downturns always end. Since 1854, the U.S. has experienced 32 cycles of expansions and contractions, with contractions occurring for an average of 17 months and expansions 38 months. In the U.S., only four periods since 1980 can be considered recessions: the better part of 1980, July 1981 to November 1982, the early nineties, and post 9/11. Global recessions have occurred three times since 1985. But all of these contractions eventually reversed.

Even during the deepest recession of the 20th century—the Great Depression—companies continued to operate and even thrive. Despite the severity of the situation, money didn't go away. Consumers continued to spend—they just looked for better deals and for companies that were aggressively pursuing their business.

Smart companies survive downturns —just as they did before and after the depression and every recession that followed. In times of turmoil, you can innovate and gain market share by being more focused and strategic than your competitors.

Above all, it's important to keep focused. You can leverage unfavorable market conditions to become a leaner, more cost-effective and efficient operation after the downturn. And keep in mind that continued visibility with both customers and prospects will serve you well in the long run.

Taking a reasoned, systematic approach will determine the state of your business for years to come. Tough economic times come and go. It's how you handle it that makes all the difference.

One key area that can improve your bottom line during tight times and amplify your ability to capture business at the same time is to evaluate your inventory management. Effective inventory management can decrease your inventory by an average of 33% and improve customer service. Check out our recorded Effective Inventory Management series at http://blog.bautomation.com/AIF with Jon Schreibfeder, a leading expert in inventory management. We will show you benchmarks, methods to evaluate inventory, techniques that you can use to manage inventory and tools that can automate those processes. Reducing inventory by 20% can increase your bottom line by as much as 50%. Look to see what you can do with your company.

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