

Financial planning in an economic downturn

As concerns over the UK economy remain, it is essential that all businesses, particularly small and medium-sized enterprises, are properly prepared for financially-testing times. Sound business and financial planning is always important, but especially so in an economic downturn.

The following steps can help you and your firm weather the ‘credit-crunch’ storm; but remember, there is no substitute for one-to-one professional advice, so contact us today to give your business the best possible chance of success.

Debt management

This is essential in an economic slowdown – you will soon encounter difficulties if you allow outstanding debts to accumulate, a problem which is all the more likely in lean times. Make sure you have a clear policy for collecting debts and that customers are aware of it. Above all, ensure you enforce it. Pursue outstanding debts with letters and telephone calls, and threaten legal action if you have to.

Ensure that your terms of business allow for adding interest on overdue accounts. If your terms set credit limits, stick to them and stop supplying as credit limits are reached or bills go unpaid.

Maintain customer loyalty

In difficult times it becomes harder to attract new customers. Therefore, it is more important than ever to maintain loyalty amongst your existing ones. Consider ways of developing and rewarding customer loyalty, such as selected discounts (especially for early payment), regular mailings or loyalty cards.

Beware of cutting prices

If receipts begin to taper off, it can be tempting to cut prices. But this can be a mistake. In a recession your costs will inflate and as a result you may be forced to raise prices to cover this expenditure. Cutting prices can also have the negative long-term effect of devaluing your image in the marketplace. Remember that suppliers might raise their prices as well, so try to negotiate a long-term discount with them.

Don't skimp on marketing

The marketing budget is often the first casualty in a recession, but smart businesses continue to market through a downturn and position themselves to take full advantage of the upturn as soon as it starts. In tough times the marketplace becomes more competitive – you may need to market more vigorously, not less. If you do not have a strategic marketing plan, now is the time to draw one up.

Look after your employees

While job cuts may be necessary in some circumstances, you should always try to retain your key employees: their strengths will help you through an economic downturn, and you will need them when business picks up. You should use any dips in the market as an opportunity for key staff to develop new

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skills and coach newer members. Remember, employee motivation can rapidly deteriorate in times of economic uncertainty, so maintain good communication with your staff to prevent a decline in morale.

Planning ahead

Planning is vital for the success of your business. You need to plan the changes that can strengthen your enterprise against tough times, and how those changes will be put into action.

However, planning is not just about 'worse case scenarios' – we can work with you to plan for your business future, offering advice on business management and tax planning and personal financial planning.

Contact us today and we will help you, your business and your family be financially successful, whatever the economic future holds.