

## How to survive and grow in today's economic climate.

**Difficult trading circumstances can often cause problems for businesses. So what should you do to ensure you can trade through a weak climate and survive the recession intact, alive and well. Believe it or not, the business principles you started out with are the same ones that should become your driving force once again. So what are they and how do you implement them? Paul McKibbin explains what you need to know.**

A company's products are the reason customers buy from you, so it's vital that the correct sales mix is available. Do some soul-searching internally and identify those products that produce a low margin or are non-core. Ask yourself the question - should we continue to offer these products? If the answer is 'no', you know what you have to do but make sure you follow it through. Look at bringing on board new products to replace them.

**Customers** are always king and the receipts from them are the lifeblood of all companies. But if they struggle to pay, or always pay late, you have to know what to do. Review your customer portfolio and get rid of the "can't pay / won't pay" customers. They will cause more issues for you than they are worth. Work closely with your better customers and give them no excuse to move elsewhere - deliver on time, at the right price, with the right level of support and after sales service.

Getting your **products** to market is equally important so spend some time reviewing your distribution channels. Most people are familiar with buying online so if you don't have a web

presence now, get one. You can sell easily, and often be paid at the same time. If your website links in with a proficient delivery set up, you will drive forward efficiency gains as well. It may be more advantageous to use sales agents to build a market position in a new territory. If the deal with them is structured correctly, and they deliver sales growth, both of you win.

Now that your sales machine is running efficiently, what about **purchasing**? Your supplier costs will be significant, so it's imperative to keep these under control. Make sure you have good alliances with all your key suppliers. Do you need new suppliers who are better able to handle manufacture and delivery of your products than the incumbent? Always look for competitive prices to get the best deal - it may be a hassle getting three quotes but you will save in the long run. Building great relationships with your suppliers can reap economic benefits such as bulk purchase discounts or preferable payment terms, so utilise your negotiation tactics to ensure you get the best deal for your firm (we have a training course to help you become a better negotiator.) Look to

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consolidate the number of suppliers you have and jettison those who do not meet your requirements.

Suppliers provide the **stock** for your business. A weak supply chain is not just about delivery schedules but getting the right products to your warehouse in the first place. Problems may have arisen before now, leaving you with redundant or excess stock. It's no good on the shelves so find a way of converting it into cash - opening up a secondary market is a great example of how to do this. For example, if your products are seasonal find an outlet for last year's products.

With both your customers and suppliers, you need to ensure you have up to date and accurate trading terms and **agreements**. Such agreements should be watertight, offering little 'wriggle room' but you have to be sensible in their application. Play it by the book where necessary but also offer some leeway where you feel it is justified. The other party will appreciate your offer and the relationship with them will be enhanced.

**Internally**, there is more scope to drive through change so review your staffing skills and levels. Make sure everybody is on the bus - if they're not it may be right to let them off at the next stop. If re-training or new skills are required, do it as soon as you can. Your staff can be a great source of ideas about better ways of working etc. so offer them an incentive to help more than they currently do.

**Structures** are where a lot of costs are incurred. Running an off-site warehouse may have been a sound business practice before but is it still appropriate now? Look at your processes and procedures and if they're not relevant, change them! Positive action here will drive forward efficiency gains.

Utilise the correct tools to manage your business - these are often called **Key Performance Indicators** (KPIs). Use them as a barometer. Some suggested KPIs are Sales Leads generated, Orders supplied/fulfilled, Cash balance, Stock turnover, Debtor days, Gross Profit, Net Profit. Of course, different firms and sectors will have their own particular measures. Whatever KPI's you select, monitor them regularly and take corrective action to bring them back on target - be decisive!

Your **Management Accounts** are a useful check on the progress you are making. They should be produced and reviewed regularly. They have to be relevant so make sure your monthly review shows you what you need to see. Encourage problems to be discussed and resolved openly as they may lead to other issues later - e.g. today's sales shortfall will impact on cash next month.

There will be **external bodies** with whom you need to maintain good relationships. Your bank for one! "Neither a borrower, nor a lender be" wrote Shakespeare in Hamlet, but it isn't as easy as that

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in the 21st century. One thing is for certain, if you are a borrower make sure you keep the lender, probably a bank, informed about what is happening. Meet with them, tell them your plans and how they can help.

All the above points will help you build on what you have, but there is one final ingredient you may want to consider. Making slight improvements here and there is all well and good, but will they help to deliver the overall Vision for your business? What is the vision of what you are trying to create? Have your original ambitions changed through market circumstances? Are there other opportunities you haven't had a chance to investigate yet? SPS can help you formulate your business vision and strategic overview so all the changes you make are made for the right reason. Businesses that seek external advice are typically those that grow faster and deliver enhanced results. Why not take the time to sit down with SPS and help your business to survive and grow through today's economic climate?

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During normal working hours you can talk to Paul on any matter affecting your business.

### More about Paul McKibbin

Paul has more than 25 years experience in industry in both plc and SME environments. Before joining SPS, Paul spent 5 years assisting an SME to deliver European growth. He now works with a variety of businesses across the UK to ensure they achieve their desired level of growth.

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