

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

worrisome subjects for small business owners, whose biggest concern is how to keep sales up when customers cut back on spending.

Mar. 12, 2008

*Provided by the AICPA*

The slowing economy and the possibility that we're headed for a recession are worrisome subjects for small business owners, whose biggest concern is how to keep sales up when customers cut back on spending. But there are several steps small business owners can take to recession-proof their business.

As one of small businesses' most trusted advisors, tax and accounting professionals are in the ideal position to offer eight steps that can help entrepreneurs in tough economic times:

**Step 1: Focus on your balance sheet .** Business owners love to talk about sales and tell you how many millions of sales they had this year, but, as you get closer to the recession, the focus should be on your balance sheet. Make sure you're managing your cash flow well. It's something you should be doing all the time, but it's even more critical in a recessionary environment because there's just that much less cash floating around. While the going is still good, try to put cash aside to build a war chest.

**Step 2: Diversify and launch.** Economic downturns have a benefit for business. A recession gives you the opportunity to step back, rethink and review all sectors of your operation. Consider launching a new product or service offering not currently offered in your market. Use the time to diversify your products, services or industries so you don't have too many eggs in one sinking basket.

### **Step 3: Start looking at your credit and debt.** You should begin looking at

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

pay in 30 days; maybe you can pay in 45. Again, it's easier to negotiate in a good economy than in a downturn.

**Step 5: Review your company discretionary spending items.** Although small businesses are typically very lean, recession survivors often still manage to trim some fat. Think of all the discretionary items. Take whatever steps you can to reduce your debt. The less you have to pay out on a regular basis during an economic slowdown, the less painful it will be. Employ labor and time-saving technology to reduce business costs. More effective use of the Internet can save on travel, training, administration and operations costs.

**Step 6: Review your customers.** Start reviewing how a recession will impact your customers. For example, if your customer base is involved in the home-building industry, and home building is down, then you know these customers are not going to be demanding as much product, so you better get ready for that. One way to do that is to search out alternatives. Somebody's always making money, even in a recession, so if you can find out where those pockets are and if you have services you can provide to them, maybe you want to expand those services.

Now is also the time to take customer service to a new level. Get in touch and stay in touch with your active customers. Take nothing for granted. Make sure your pricing is competitive, your service exceptional and your attitude reflects how much you value their business. Revisit dormant customers and see what you can do to bring them back into the fold. Sometimes it takes as little as just asking to restart a relationship. Other times it can take some imagination, but resurrecting a past customer can still be easier and less expensive than finding and breaking in a new one. Ask your customers for referrals. While this is a good practice at any time, it is particularly important in a down economy.

## Step 7: Keep up marketing. Many companies cannot afford to stop marketing,

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

customers' needs makes it easier to come up with new products or services they'll want to buy. Whether prospecting for new business or working with a long-standing customer, success can turn on making a valid case that your product or service will benefit the buyer, even if the economic times are uncertain.

**Step 8: Do additional research.** The tax and accounting profession in the United States has created free resources and tools to help small business owners with personal finance issues. To learn more, check out the profession's *360 Degrees of Financial Literacy* ([www.360financialliteracy.org](http://www.360financialliteracy.org)), and take a look at the "Entrepreneurs" tab.

The AICPA and the Ad Council have also created the following public service announcements to help the public better manage their personal finances. These Public Service Announcements can be seen online at <http://www.feedthepig.org/VideoPage.aspx>.

*The AICPA ([www.AICPA.org](http://www.AICPA.org)) is the nation's largest professional nonprofit association representing more than 340,000 CPAs that specialize in the area of tax, accounting and consulting services such as personal finance.*

Technology

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.