

100 Ways to Survive a Bad Economy

This list was compiled by TEC speaker Barry Schimel, president of The Profit Advisors, Inc., based in Rockville, Maryland. We thank Barry for sharing his experience with his fellow TEC members.

Internal Cost Reduction

1. Identify profit centers by analyzing monthly financial statements; consider closing down unprofitable areas
2. Reduce owner's compensation to the level necessary to cover his/her living expenses. This shows the owner's sincerity in tackling the problem.
3. For at least several months, the owner should sign all checks for expenses and eliminate unnecessary items.
4. Prepare monthly cash flow analysis to determine cash needs before borrowed funds are required.
5. Turn off lights when not in use; set back air conditioning and heating at night.
6. Sub-lease unused office space.
7. Eliminate employee theft by implementing adequate internal controls.
8. Consider disposing of slow-moving or obsolete inventory.
9. Use a fax machine instead of a messenger service when possible.
10. If you do not receive significant price reductions for bulk purchases, order inventory on an as-needed basis.
11. Get special credit card equipment to reduce processing charges for credit card sales.
12. Monitor personal use of company autos.
13. Pay bills when due - not before.
14. Limit expense authorization to upper management.
15. Set up and monitor departmental budgets.
16. Determine if bonuses are justified; bonuses should be determined by profit or performance, and not time of year.
17. If it is necessary to purchase equipment, use your trade industry surveys that rate the equipment's performance.
18. Minimize retirement plan contributions.
19. Eliminate excess and/or duplicate dues, publications and subscriptions.
20. Cut down on entertainment expenses. For example, have meetings in the office rather than at a restaurant.
21. Use two-sided copies instead of single-sided copies.
22. Cancel insurance on vehicles and equipment that are not in use. Remember: some states require surrendering license plates when insurance is cancelled on automobiles.
23. Make use of tax advantaged "cash or deferred" fringes to reduce payroll costs. This can be accomplished through the implementation of a cafeteria plan.
24. Consider using non-cash bonuses such as stock options, ESOPs, etc, as employee compensation.
25. Take advantage of local seminars to reduce travel expenses.
26. Set up an employee incentive program for cost reduction ideas.
27. If you paid income taxes in prior years, remember that current year losses can be carried back three years to generate tax refunds.

28. Lock the supply closet and affix responsibility to one person for filling supply requests daily. The supply request should be in writing.
29. Negotiate special terms and prices with suppliers to accommodate your cash flow requirements. Arrange to make payments after your busy season.
30. If your income has decreased significantly from last year, check with your CPA to avoid over-paying corporate estimated taxes.
31. Utilized your computer to monitor actual compared to expected performance.
32. Develop key ratios for your business. Monitor them on a periodic basis for fluctuations. (Current ratio, CA/CL; Gross profit percent.; GP/SALES; Inventory turnover, SALES/AVG INV; Accounts receivable turnover, SALES/AVG AR; Average collection period, AR/AVG DAILY CREDIT SALES; Collection effectiveness rate, CR/BEG AR)
33. Develop flash reports of critical financial items and monitor weekly.
34. Devote more “hands-on” time to your business.
35. Check postage scales for accuracy - 9 pennies should show a weight of one ounce.

Communication with External Sources

36. Secure a line of credit now — before you really need it. Be sure to shop for rate and pay back arrangements.
37. Use a collection agency, or hire a collection manager to accelerate collections.
38. Consult your life insurance agent for ways to reduce costs of life, disability and health insurance.
39. Consult your casualty insurance agent to reduce costs of all other insurance.
40. Don't surprise your bankers — keep them informed in good times and bad. Send them copies of your interim financial statements.
41. Meet regularly with an “informal board of directors” consisting of your CPA, attorney, banker, etc. to seek their advice.
42. Consider using an automated payroll service to reduce in-house costs.
43. Consider the use of outside investors to raise needed capital.
44. Renegotiate your lease by asking for downward rental adjustments.
45. Investigate the stability of your financial institution and insurance company.
46. Have alternative plans and sources for financing available.
47. Meet with your CPA before your fiscal year end to consider tax planning opportunities.
48. Save significant collection fees by using a dunning service before sending bad debts to a collection agency.

Asset and Credit Management

49. Tighten credit policies for all customers.
50. Take advantage of purchase discounts, even if borrowing is necessary. For example, “2%/10” terms will save you 36% over 360 days.
51. Comparative shop for supply prices.
52. Get bids for any major expenditures.
53. Take advantage of interest bearing checking accounts.
54. Consider leasing equipment and real estate rather than purchasing.
55. Check references before extending credit to a new customer.
56. Keep investments liquid to accommodate short-term cash needs.

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57. If other sources of financing are not available, borrow against cash surrender values of life insurance policies.
58. Consolidate loans to obtain a lower interest rate.
59. Negotiate equipment lease terms to be paid during peak business cycles.
60. Sell idle assets.
61. Prepare comparative analysis of competitors' pricing.
62. Be certain that customers understand your credit terms.
63. Request customers to pay by invoice rather than by statement.
64. Consider sending out semi-monthly statements.
65. Look for ways to secure your personal assets. Do not sign for business debts personally, and never permit your spouse to sign on the obligation.
66. Send pre-addressed return envelopes with bills. In some cases this has expedited customers payments.
67. Shop banks for the best credit card processing fees and interest rates.
68. Charge customers interest on delinquent accounts.
69. Settle customer billing disputes promptly.
70. Make deposits daily to accelerate cash inflow.
71. Use extra cash to reduce debt.
72. Draw on your line of credit and place proceeds in a savings account at another bank. Otherwise, the bank may cancel your line of credit if you don't use it.
73. Consider using a lockbox system at your bank to accelerate cash inflow. Caution: instruct the bank to contact you before depositing any checks marked "Payment in Full."
74. Closely monitor individual customer accounts receivable balances. Contact customers immediately when their average collection period increases.

Personnel Resources

75. Put a freeze on hiring and salary increases.
76. Use independent contractors instead of employees when possible.
77. Consider using part-time employees. This reduces the amount of benefit payments.
78. Utilize an administrative or part-time employee instead of a messenger service.
79. Eliminate all overtime hours unless prior approval has been obtained.
80. Use company mechanics for vehicle and equipment maintenance.
81. Ask managers for written plans on eliminating unnecessary expenses in their departments and other departments.
82. Discuss economic times with staff to help motivate them to do a better job for your clients, customers and business.
83. Set up a committee to create new cost cutting measures and enforce existing measures.
84. Consider reducing employees' hours rather than eliminating positions. For example, go to a six-hour day rather than an eight-hour day.
85. Prepare a procedures manual to scale down training costs and make job transitions less costly.
86. Reduce unnecessary meetings; use an agenda to make meetings more efficient; table non-agenda items; set a time limit on meetings.
87. Cross train staff to perform multiple functions, and combine job duties where possible.

88. Look closely at employees to determine their productivity. Non-productive employees should be terminated and replaced with productive personnel.
89. Be alert to the increased number of job-seekers. Be selective and choose the best employees now.
90. Send one person to a particular course (i.e. Lotus 1-2-3) and that person will become a resource to others on that subject.

Marketing Resources

91. Understand and promote what separates you from your competition. Let staff and customers know what you do best!
92. Evaluate the pricing of your goods and services and analyze for sensitivity to increases or decreases in prices.
93. Consider adjusting hours of operation to meet customer demand.
94. Investigate related products and services to identify emerging markets.
95. Keep current with industry related publications and trade associations.
96. Maintain quality customer relations.
97. *Manage your advertising and marketing budget.*
98. Monitor the competition and related fields for their responses to the economy.
99. Have company owners and upper management call on customers personally to identify their needs (products, services, or economic).
100. Bundle products or services and offer them at attractive prices to stimulate sales.

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