

The Recession Response

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CASH FLOW

REDUCE CASH OUTFLOW

- ✓ Cancel no/low benefit expenses (e.g. app subscriptions, entertainment)
- ✓ Business owners cancel no/low benefit personal expenses (reduces personal income need)
- ✓ Renegotiate terms with required recurring and one time expenses (lease, capital equipment)
- ✓ Seek new terms/extensions from vendors/suppliers

INCREASE CASH OUTFLOW

- ✓ Proactively address borrower/lender matrix to ensure continued cash flow
- ✓ Introduce new payment options (0% financing, credit card, ACH, cash discount, etc.)
- ✓ Use the “what can you afford?” strategy with at-risk-for-defaulting clients
- ✓ Don't change your Profit First percentages (yet)

DEBT MANAGEMENT

DEBT CONTROL

- ✓ Don't take on new debt to maintain “business as usual”
- ✓ Use extreme caution with debt leveraging (use of debt for high probability returns)
- ✓ Use extreme caution with debt bridging (use of debt to cover short term cash flow dips)
- ✓ Renegotiate debt for better terms (interest, installment frequency, length of loan)

DEBT PLANNING

- ✓ Consolidate and refinance debt
- ✓ Maintain excellent personal financial status to keep high credit rating if debt needed
- ✓ Avoid credit card debt (avg. APR 17.3%) (0% starts can go to 29%)

STRATEGIC PLANNING

MAINTENANCE

- ✓ Schedule regular (weekly/bi-weekly) financial debrief with financial/profit advisor
- ✓ Evaluate offering mix, focus on high margin products/services (reduce/remove low margin)
- ✓ Evaluate client mix, focus on historically financially well paying clients
- ✓ Enhance communication rhythm with clients (more frequent, shorter communication)

GROWTH

- ✓ Opportunity to focus recession resistant clients/opportunities (staples, food, vice, funeral)
- ✓ Market to the Transitioning Ten Percent clients leaving large competitors
- ✓ Enact “bold” moves – acquiring unprepared competitors, amplify marketing, raising prices

ACCOUNTING

PROACTIVE

- ✓ Set up new GL Account(s) for unique circumstances (eases reimbursements and recasting)
- ✓ Evaluate inventory turn. Tighten turn on moving product, eliminate non-turning products
- ✓ Review accounting system automated invoicing collection sequence (verbiage, frequency)

FUTURE PLANNING

- ✓ Conduct comparative analysis of prior years, months (distinguish cause and effect)
- ✓ Evaluate client history to proactively determine where you can make terms concessions

TAX

PROACTIVE

- ✓ Treat tax estimates as due on April 15, June 15, Sept 15, Jan 15 (even if extension occurs)
- ✓ Start or maintain a bank account for TAXES

