

Surviving the Current Crisis



SCORE[®]
Counselors to America's Small Business

WWW.SCOREVENTURA.ORG

Call: (805) 204-6022

Agenda

OVERVIEW OF TODAY'S TOPICS

- **Managing your cash flow**
- **Negotiating with Vendors & Landlords**
- **Marketing to maximize sales**
- **Maximizing your website**
- **Wrap up...SCORE – Free counseling for new and existing business owners**

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MANAGING YOUR CASH FLOW

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MANAGING YOUR CASH FLOW

CASH FLOW

is the fuel that makes your
business go.

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MANAGING YOUR CASH FLOW

- Review your cash position – know what you will have to work with now and in the future
- Prepare a cash flow statement
- A/R and A/P
- Cost controls and ideas to help improve your cash flow (We have plenty more!)

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MANAGING YOUR CASH FLOW

- ✓ Take inventory of your available cash resources.
 - How much cash do you have on hand
 - How much cash is available through credit lines
- ✓ What will your sales and revenues be for the next 3 months? 6 months? 12 months?
- ✓ What expenses will you be faced with in the next 3 months? 6 months? 12 months?

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MANAGING YOUR CASH FLOW

- ✓ What is the status of your inventory and other assets?
 - What can be sold or liquidated to generate cash?
- ✓ Can you modify terms of sale to your customers or suppliers to accelerate your receipts or delay your payments?
 - Consider factoring your receivables or converting to cash and credit card sales only?

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MANAGING YOUR CASH FLOW

	<u>Month 1</u>	<u>Month 2</u>	<u>Month 3</u>
Beginning Cash	Beginning Cash	Beginning Cash	Beginning Cash
Plus:	Plus:	Plus:	Plus:
Revenues from Sales	Revenues from Sales	Revenues from Sales	Revenues from Sales
Payments from Customers	Payments from Customers	Payments from Customers	Payments from Customers
Additional Cash from Loans/Equity	Additional Cash from Loans/Equity	Additional Cash from Loans/Equity	Additional Cash from Loans/Equity
Minus:	Minus:	Minus:	Minus:
Operating Expenses (Rent, Utilities, Advertising, etc.)	Operating Expenses (Rent, Utilities, Advertising, etc.)	Operating Expenses (Rent, Utilities, Advertising, etc.)	Operating Expenses (Rent, Utilities, Advertising, etc.)
Taxes	Taxes	Taxes	Taxes
Insurance	Insurance	Insurance	Insurance
Inventory	Inventory	Inventory	Inventory
Payroll	Payroll	Payroll	Payroll
Loan interest and principal	Loan interest and principal	Loan interest and principal	Loan interest and principal
Ending Cash	Ending Cash	Ending Cash	Ending Cash

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MANAGING YOUR CASH FLOW

ACCOUNTS RECEIVABLE (*Don't be your customers Bank!*)

- ✓ Are you monitoring your A/R and following up in a timely manner? Do you call before payments are due and when payments are late? (Squeaky wheel)
- ✓ Are you getting a commitment to pay x dollars by x day from customers when you call, and do you follow up if not received?
- ✓ Are you reducing or cutting off credit on slow paying customers?
- ✓ Have you considered accepting Visa, Mastercard or American Express instead of offering terms? Or have you considered factoring your receivables?
- ✓ Don't let your customers take advantage of you. You're not their bank. The longer you wait to take action, the greater the risk you will never get paid.

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MANAGING YOUR CASH FLOW

ACCOUNTS PAYABLE

- ✓ Are you asking for extended terms from your suppliers?
- ✓ Are you taking advantage of all terms and discounts offered?
- ✓ Are you scheduling and prioritizing your payments to vendors and suppliers so that you don't get cut off from key resources if you pay slow or late?
- ✓ Are you setting aside funds to cover sales and payroll taxes?

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MANAGING YOUR CASH FLOW

COST CONTROLS

- ✓ **Every area of your business should be subject to review** -- from the quality of paper you buy for your copy machine to the owner's fully paid premium health plan.

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MANAGING YOUR CASH FLOW

Sample cost control questions to ask yourself about your business:

✓ **Do I need this item to run my business?**

- If so, is there a better priced alternative?

✓ **Is this item generating revenue for me?**

- If so, am I getting the most out of it or can I get more? If not, do I need it?

✓ **Are you getting the most out of your employees?**

- Can you get the same results with a smaller staff?
- Can jobs be combined or “outsourced” to a specialized service or temporary staffing company?
- Are you scheduling employees to match slow/busy hours of operation?

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MANAGING YOUR CASH FLOW

✓ Is it time to review your benefits program?

- Should you adjust the employer contribution to the company medical plan?
- Should you cut out “free” coffee and sodas for employees?

✓ Is your marketing program effective?

- Do you know what advertising works or doesn't work?
- Are you making every employee part of your marketing effort.

✓ Are you maximizing your relationships with your vendors?

- Are you getting the best terms you can from your vendors?
- Are your vendors willing to reduce minimum order requirements so you can keep a smaller inventory?
- Are you eliminating vendors whose products don't sell and expanding relationships with vendors whose products have good profit margins?

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MANAGING YOUR CASH FLOW

Managing cash flow in a crisis means you need to STOP THE BLEEDING by cutting costs and adjusting your financial model, and BUILD REVENUES.

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MANAGING YOUR CASH FLOW

If you can't cut costs to meet your projected revenues, or if you can't generate sufficient revenue to cover your costs, **SEEK HELP EARLY** but be prepared to make the hard decisions **SOONER RATHER THAN LATER.**

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NEGOTIATING WITH YOUR VENDORS AND LANDLORD TO CUT YOUR EXPENSES

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NEGOTIATING TO CUT YOUR EXPENSES

Your lease

- If your lease is about to expire, do not exercise your option -- Negotiate a new lease.
- What kind of deal can you cut?
- Would the landlord rather take a reduction in rent or have a vacancy?
- Your landlord does not want to lose you
 - Landlords occupancy rate
 - Your flexibility to move.
- You never know what they will give unless you ask.

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NEGOTIATING TO CUT YOUR EXPENSES

Your Lease (cont)

- **Find other space** in the area
 - New landlord will give you a great deal
 - Use this to negotiate
- Even **successful business should try to negotiate** for better terms or price
 - A landlord is not going to lose a good paying tenant
- Ask for a decrease in rent but give back an extension
- Review your terms and conditions
- Call or visit him in person
- Explain your situation

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NEGOTIATING TO CUT YOUR EXPENSES

Your Vendors and Suppliers

- Review their performance over the last year
- Your Vendors and Suppliers **do not want to lose you**
- Call or visit them in person
- Explain your situation
- Ask for **discounts and better terms.** – see list below
- You never know what they will give unless you ask.

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NEGOTIATING TO CUT YOUR EXPENSES

THE ART OF NEGOTIATING

- The purpose of negotiating is to **lower your costs** or to **buy more cheaply** from vendors and sell more effectively to customers.
- If you buy better you'll be more successful
- You have to work at it
- It takes a particular mindset
- Instead of adopting a “take-it or leave it” mentality you should **take the time to negotiate creatively**

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NEGOTIATING TO CUT YOUR EXPENSES

THE FOUR PILLARS OF NEGOTIATION

- **Planning**
- **Patience**
- **Persistence**
- **Perspective**

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NEGOTIATING TO CUT YOUR EXPENSES

Planning

- Negotiating is **80% planning and 20% negotiating**
- Set your goals
- The worst thing that you can do is shoot from the hip
- **Price may not be everything**
- Plan out the **terms and conditions** that you want in detail
- Anticipate their responses
- Be prepared with your own counteroffers

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NEGOTIATING TO CUT YOUR EXPENSES

Patience

- Be patient – there is no hurry.
- **Take lots of notes** – it is amazing what people forget that they said or already agreed to
- Have someone else with you to take the notes so you will have time to think about what to say next.
- Listen – God gave you two ears and one mouth so you can listen twice as much as you speak
- Don't demand an immediate response

(Con't)

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NEGOTIATING TO CUT YOUR EXPENSES

Patience (con't)

- **Always let them talk first.**
- **Ask lots of questions** – understand the other point of view.
 - ✓ Know what you are up against.
 - ✓ Enough of the right questions could reveal what you need to know
- Put yourself in your vendors shoes
 - ✓ Your Vendor is concerned about his bottom line as much as you are

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NEGOTIATING TO CUT YOUR EXPENSES

Persistence

- **Ask for more than you expect to get** – leave room for negotiation
- Let them feel that **they have won some of the battles**
- **Do not split the difference**
 - ✓ Always try to get more than 50%
 - ✓ Do not negotiate in 10's. Use smaller amounts
- Remain steadfast with what you want

(Con't)

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NEGOTIATING TO CUT YOUR EXPENSES

Persistence (con't)

- Never give up anything **without getting something in return**
- Use the power of competition
 - ✓ Find out what the competition is doing and ask for the same or more.
- What someone may reject one day, they may accept the next.
- Do not agree to anything too quickly- go outside to think about the offer

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NEGOTIATING TO CUT YOUR EXPENSES

Perspective

- **Time your negotiations** carefully
 - ✓ Find out when your vendor is on a dead line
 - ✓ When their sales quotas are due
 - ✓ When their contests start
- People move fastest and make their greatest concessions when they are under pressure to meet their own goals.
- If you do not ask, you may never know what you can get.
- Keep sight of your goals – what you wish to accomplish
- If you fall short of what you want, you can always try again.

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NEGOTIATING TO CUT YOUR EXPENSES

- **Never say “YES”**
- **Close with an “either / or” choice**
- **Silence speaks volumes**

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NEGOTIATING TO CUT YOUR EXPENSES

➤ Price isn't everything

Terms and conditions

- Payment terms
- Length of contract
- Quantity of volume discount
- Delivery
- Packaging
- Carrying the Inventory (Just in Time)
- Price guarantee
- Training
- Freight
- Returnable
- Warranty
- Exclusivity
- Private labeling
- Bar Coding and ticketing
- Consignment
- Spare parts
- Advertising coop allowance

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MAXIMIZE YOUR WEB SITE

How to monetize your web site &
have it make money for you while
you sleep

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MAXIMIZE YOUR WEBSITE

- **Name your web site** exactly what it is, does and what you are selling.
- Example:
www.Doorswindowsmolding.com

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MAXIMIZE YOUR WEBSITE

- **Write a description using the key words** of your activity products and services.
- Example: We sell and install doors windows and molding to your custom design and desires. Glass; Cherry wood; glass sliding doors, etc
- Our doors windows and moldings are of the highest quality and we offer a wide selection of doors windows and moldings.
- Installation is quick, clean and neat.

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MAXIMIZE YOUR WEBSITE

- **Offer a call to action** (opportunity to buy) on your opening or home page. Make it very clear what you are selling and make it very easy to buy your products and offerings. Use “add to cart” feature for example
- **Offer specials on products**, introduce new products and special pricing.
- **Provide a place for customer comments**, who have ordered and used your products and services

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MAXIMIZE YOUR WEBSITE

- **Determine the key words** and phrases potential customers are looking for in your products and services, and might search the web with. I:E: Home Improvement, Windows, Doors, Moldings, Hardware, Weatherproofing.
- Continue to add **key words**, as your offerings increase.

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MAXIMIZE YOUR WEBSITE

- **Place those key words** on several search engines, either by bidding on them to get placed in the top three or four, or use a key word purchasing service to buy the placement of the words and terms or phrases on the few largest search engines. GOOGLE, YAHOO, Ask, Netscape

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MAXIMIZE YOUR WEBSITE

- **Visit web sites that relate to yours** & arrange for trading links to each others sites.
- **Relevant link backs** to your site will greatly increase your listing position with the search engines robots.
- **JV or Joint Ventures** is a way to generate income

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MAXIMIZE YOUR WEBSITE

- **Add a traffic counter to your site**, so you can track activity, such as; volume of visits, activity while on the site (pages viewed), how long on the site, conversions of visitors into buyers.
- **Promote your website** on all of your advertising and written materials (Letterhead, Business Cards, etc.
- **Have your phone number** on every page of your website

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MAXIMIZE YOUR WEBSITE

- **Arrange for visitors to log in** to receive something of value. News Letter, special offers, or product updates.
- **This will allow you to capture the names** and email addresses of visitors, from which you can build a potential customer marketing list

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MAXIMIZE YOUR WEBSITE

- Here are some examples of sites that work
- www.safetymanualsonline.com
- www.shoes.com
- www.onestop.com
- www.proflowers.com

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MARKETING IN TOUGH ECONOMIC TIMES

Surviving in the current crisis

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MARKETING IN TOUGH ECONOMIC TIMES

There's one thing harder than surviving, and that's doing it alone!

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MARKETING IN TOUGH ECONOMIC TIMES

- **Customers, Customers, Customers**
Without them, no revenue; no revenue, no business
- **Establish a Realistic Operational Plan**
Anticipate where your business is headed
- **Every Dollar Spent, Must Earn a Dollar**
Keep you fingers on the pulse of your business
- **Utilize Innovation**
Get creative; think out of the box and your paradigm
- **Develop a Growth Strategy**
Believe it or not, this may be the perfect time

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MARKETING IN TOUGH ECONOMIC TIMES

- **Customers, Customers, Customers**
 - Your best customers are your current customers
 - Establish a Method to collect customer data
 - Cement customer relationships, start now
 - Get Employees Involved; Define “Heroic Customer Service”

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MARKETING IN TOUGH ECONOMIC TIMES

- **Establish a Realistic Operational Plan and budget**

- By month, for the next 12 to 18 months; forecast sales and expenses

- Understand the relationship between sales and marketing

- Set clear, specific Objectives; Strategies; and Tactics and an Implementation plan to carry them out

- Be sure your Employee Goals are established as well and in line with your business goals; mission and vision

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MARKETING IN TOUGH ECONOMIC TIMES

- **Every Dollar Spent, Must Earn a Dollar**
 - Prepare a complete audit of your current marketing effort
 - Eliminate waste
 - Determine the Effectiveness of your Advertising effort

Have you developed a campaign with direction? Purpose? Measurable guidelines? Or are you just “running ads or TV spots”?

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MARKETING IN TOUGH ECONOMIC TIMES

- **Utilize Innovation**

- Is this the right time to “Re-invent yourself and your business?”

- Develop and employ creative Sales Promotion techniques

- How can you do what you’re doing better? More effectively? What’s new you can introduce to generate interest? Sales? Attract new customers.

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MARKETING IN TOUGH ECONOMIC TIMES

- **Develop a Growth Strategy**

- With prices depressed, this may be the perfect time to expand
- Look at mergers; acquisitions; partnering, even with a competitor
- Plan now to take your business to the next level
- Be sure you have a solid foundation **before** you add to that foundation
- Get help in all those areas where you need expertise

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MARKETING IN TOUGH ECONOMIC TIMES

- **In Conclusion:**

You can survive in this serious economic rift;

Start by Planning; Focusing your business on your customers; make every dollar count; Get creative, even inventive, and plan to grow.

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**How SCORE can
help your business**

Your Success Team

WHO WE ARE

SCORE – Counselors to America’s Small Business

- Non-profit association dedicated to educating entrepreneurs and supporting the formation, growth and success of small business nationwide.
- Resource partner of the SBA consisting of 10,500 volunteer counselors in 389 chapters nationwide.
- Membership includes active, semi-retired and retired business owners and executives covering more than 600 skill sets.
- SCORE has helped over 8 million businesses since 1964.
- Ventura County SCORE has helped thousands of businesses since its inception in 1971. We are celebrating our 38th year helping small business owners throughout the county.

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WHAT WE DO

SCORE provides unlimited FREE counseling, and advice to business owners and those wanting to start a business through:

- Mentoring advice 24/7 through “Ask SCORE” our online counseling service available at www.score.org
- In-person mentoring through our 389 chapters
- Low-cost workshops nationwide
- Providing “How to” articles, business tools and templates available at www.score.org and at www.scoreventura.org
- Online workshops and learning opportunities

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HOW WE CAN HELP

COUNSELING – ADVICE – EDUCATION FOR EXISTING SMALL BUSINESSES

- Business and Marketing planning assistance and business plan review
- Financial planning help
- Counseling and advice in connection with Small Business Administration (SBA) loan applications
- Acting as a sounding board for new and existing business owners
- Assisting in identifying sources for loans and business financing

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VENTURA COUNTY CHAPTER

FACE-TO-FACE COUNSELING

- More than 30 counselors in the Ventura County chapter.
- Our areas of expertise include: Business planning, Marketing, Advertising, Sales promotion, Manufacturing, Starting a business and Buying or selling a business.
- Counseling held at most Chamber of Commerce offices throughout Ventura County and offsite as well.

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VENTURA COUNTY CHAPTER

INTERNET COUNSELING AND BUSINESS RESOURCES

- Ventura County chapter members currently respond to more than 100 online cases per month
- Our website, www.scoreventura.org provides a host of business information and tools for existing small business owners
- Part of a nationwide network of more than 1,300 counselors available 24/7 via www.score.org

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VENTURA COUNTY CHAPTER

WORKSHOPS – *Starting & Managing Your Own Small Business* series

- Oxnard College: Fall, Spring and Summer Sessions, Saturday mornings/afternoons
- Simi Valley Adult School: Wednesday evenings
- Information and schedules available on SCORE Ventura County website www.scoreventura.org and in printed class schedules (Oxnard College, Simi Valley Adult School)

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VENTURA COUNTY CHAPTER

WORKSHOPS – Other

- *Doing Business With The Government*
- *Website Development and How To Market Your Internet Business*
- *How To Start And Manage A Consulting Business / Buy Or Sell A Business*
- *How To Start and Manage A Non-Profit Organization*

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CONTACTING SCORE

SCORE Ventura County Chapter

- Website: www.scoreventura.org
- Phone: **(805) 204-6022**
- Through most Ventura County Chambers of Commerce

SCORE National Office

- Website: www.score.org
- Phone: **(800) 634-0245**