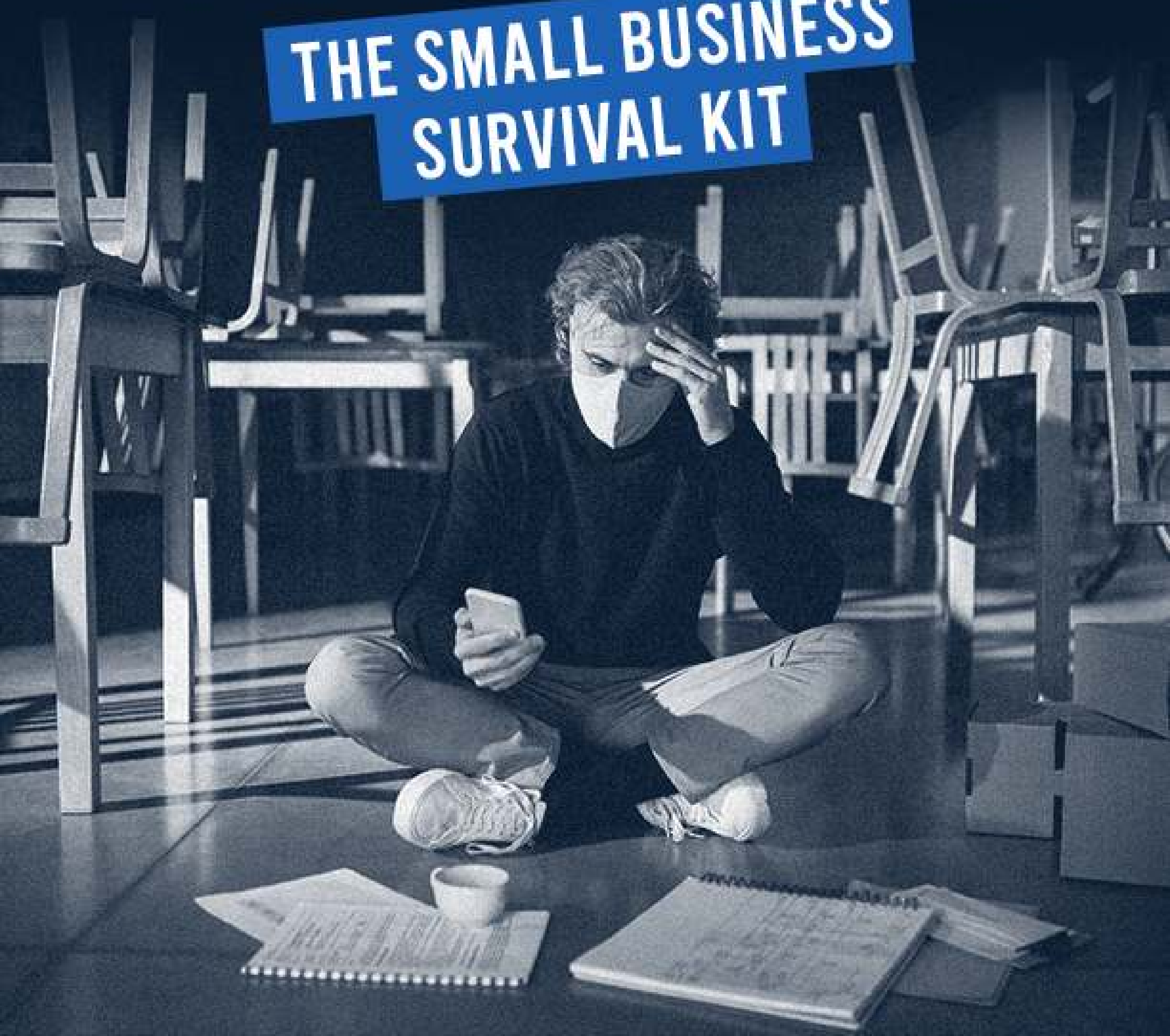
SURVIVING THE SHUTDOWN:

THE SMALL BUSINESS SURVIVAL KIT



Introduction

Running a small business isn't easy, even during the best of times. Small businesses are the frontline defense for the business community. As such, they feel the impact first. According to the United States Small Business Association:

- 30% of small businesses fail within two years.
- 50% fail within five years.
- Only 25% of businesses last 15 years or longer.

Another survey by Facebook and Roundtable of 35,000 small businesses indicates that 22% of US-based ones shut down in February alone, and the number kept rising.

Of these:

27% were minority-led
25% female-led
20% male-led

Any small business owner will tell you that running a small business is challenging. When circumstances get tough, running a business becomes an even tremendous challenge. Throughout the years, many events have occurred that placed a squeeze on business operations:

- The Great Depression
- World War I and World War II
- The Cold War
- The 2008 housing market collapse
- The 2020 coronavirus pandemic

During these difficult times, many small businesses had to fold under pressure. But many still have survived these unprecedented times. Some of them even thrived.

The point is, your business can make it through hard times. You will need to get creative, take decisive action. And most importantly, make tough decisions.

In this guide, you will find helpful pointers to help you navigate hard economic times without closing shop. But also, keeping in mind the three pillars to business success in a crisis - Decisions, Creativity, and Action.

Managing the Mindset

Entrepreneurship is a mindset

If your business is struggling, it is essential to manage your mindset. During hardships, it is easy to enter a downward mental spiral. As a business person, you need your mind sharp to formulate an alternative course of action. It is not the time to mop.

As you work to stabilize and turn around your business, it is crucial to maintain a positive mindset. It also means that you are committed to pushing through.

Almost every great business leader has endured struggles. They are successful because they persevered and were resilient. If you want your business to succeed, you need mental toughness.

Follow these steps to overcome a negative mindset:

- **Identify**. You need to be able to identify unhelpful mental patterns as they occur.
- **Challenge**. As negative thoughts arise, question them. Is what you are thinking true?
- **Replace**. As you shut down your inner critic, fill the void with positive, helpful internal dialogue.

As you push through problems and challenges, remember why you got into business in the first place. Tap into the emotions and desires that motivated you to create your business.

Clarifying the Problem

Before you can identify a solution, first clarify the challenge. Take some time to think about how you got to where you currently are. What happened that you didn't anticipate? Some common problems businesses face are:

- **Market changes**
- **Failure to understand the target customer or market**
- **Poor pricing strategy**
- **Insufficient funds**
- **Too much growth** . You need to be able to identify unhelpful mental patterns as they occur.

If you want your business to thrive during challenging times, you must be able to put your finger on the primary problem. When you are sick and go to the doctor, what is the first thing they try to do? Determine the cause of the illness. The same principle is true in business..

Shifting the Focus

What is at the heart of every business, including yours? Customers. Without them, you have no business. When deciding what actions to take to strengthen your business, always keep your customers at the forefront.

Before making changes, consider how they will affect the customer experience. If customer experience is one of your key competitive advantages, be especially careful about changes.

If you make changes that will directly affect the customer, communicate to them. Explain to the customer why you have to make the changes and the outcomes you expect.

In times of global crisis, it is crucial to focus on customers. People will remember the actions you take. If you focus on serving the customers even at the expense of profit, you will build goodwill.

More information on customer experience **on this podcast episode**.

Evaluating the Business

Success in life comes from a constant **evaluation of how things are going**. A SWOT (strengths, weaknesses, opportunities, threats) analysis provides you with a framework for analyzing your business.

You need to examine the 4 SWOT areas critically for your business.

○ **Strengths**. These are the things you have control over and are working well. Focus on and try to develop these areas further.

○ **Weaknesses.** These are the things that are not working well in your business. Your goal is to change or eliminate them so that they do not continue to damage your business.

○ **Opportunities.** These are external factors that have the potential to benefit your business. The more you can capitalize on these opportunities, the more success you will claim

○ **Threats.** These are external factors that could hurt your business. Avoid these things at all costs, or if you can not, adapt to them.

Consider the example below and use it to come with relevant ideas for your business.

Strengths

Consistent quality- we have a record of producing high-quality botanical plants.

Uniqueness- Our plants stand out as ideal for home patio and indoor alternatives.

Weaknesses

Lack of capital-Our start-up capital comes from loans and investors.

New Market Entrant- We are yet to build a reputation as reliable botanical plants sellers.

Opportunities

Rapid growth-The small town is growing fast as well as the market for indoor plants.

Customer loyalty- People are looking to build a long-term relationship with one seller.

Threat

Competition- There is a similar-sized vendor with loyal customers who buy from him regularly.

Weather- Weather changes can seriously affect the production of quality plants.

Example Growth Strategies for the SWOT Analysis Above

I. Leverage customer testimonials. Offer excellent customer after-sale services to generate positive word of mouth about us.

II. Build sales channels Consider expanding the sales avenues. Build relationships with herbal supplement manufacturers, institutions that need landscaping, etc.

III. Leverage internet marketing To explore online selling through a website and social media to attract a larger market.

Performing a SWOT analysis is hard work. But this clear-headed analysis will help you overcome your weaknesses, capitalize on your strengths, and take advantage of unique opportunities.

Creating a Plan of Action

Once you have done a SWOT analysis, determine the objectives you will pursue and create a plan for achieving them. That will give you the clarity you need to move forward.

Start with your strengths. How will you double down on the things you are already doing well? Then look at your weaknesses. How can you change, minimize, or even eliminate these areas?

Move on to opportunities. Is there a new market you can enter? Can you implement a new technology that will help you be more efficient?

Create objectives to deal with threats. How will you avoid or adapt to those things that could hurt your business?

Reducing Costs

If you want your business to survive and thrive during difficult times, you may need to reduce your costs. However, be careful and precise as you do this. Cut costs too much, and your business may have a hard time growing. Cut costs too little, and you will not free up enough cash to keep your business going.

These are examples of expenses you can cut back when operating in a crisis.

Create objectives to deal with threats. These are costs that are not necessary to run your business. Business lunches are a perfect example. Next, look at ways you can reduce costs but still achieve the same outcomes. Can you reduce travel costs by using videoconferencing technology?

Consider your office space costs. Your landlord may be willing to lower your rent or even create a new lease for you. If your landlord can not reduce your rent, consider moving to a less expensive building. Most businesses in the current pandemic shifted to remote working to reduce the costs due to the slow market and prices.

Leverage connections in the supply chain. Take a close look at your supply chain. Some of your suppliers may be willing to give you discounts.

At some point, you may need to think about reducing staffing costs. It is a tough call but, remember, one of the pillars of surviving a crisis is DECISIONS. You can not afford to back out of a necessary decision because it is hard to make. Before you lay people off, look for ways you can reduce employee hours or compensation. If a reduction in hours or wages is not enough, you will have to reduce your workforce.

Managing the Cash Flow

Each month you have cash coming into your business and going out. Not having enough incoming cash flow is one of the biggest reasons small businesses close down.

You need to pay close attention to your cash movements. If you have negative cash flow, find ways to make up the difference in the next month. Here is a quick way to evaluate your cash flow:

- At the end of the month, add up your total sales.
- Total all purchases that you still must pay.
- Calculate the difference.

After this evaluation and you find yourself struggling with cash flow, you do have some options:

- Sell assets to bring in additional cash.
- Get a working capital line of credit.

Engage a Financial Advisor

It is wise to work with a certified accountant. Even as you work to stabilize and strengthen your business, this can help you find balance. They can help you implement money-saving tax strategies. There are specific actions you can take to reduce your tax burden. And they can help you manage the expenses.

An accountant may be able to help you secure financial assistance from the local, state, or federal government. Because small businesses are essential entities for the economy, many government agencies are willing to provide financial aid for struggling businesses.

Finally, an accountant can help you think through critical financial decisions. Many business owners struggle to absorb all the financial details about their company. An accountant can crunch all the numbers for you and then provide you with relatively easy-to-digest reports.

Invest in Marketing Wisely

Marketing is a double-edged sword. It costs money to get your company name out there, and money you spend on this can not come from reserves for essential things like payroll and bills. On the other hand, if you stop doing marketing, you connect with fewer customers decreasing available funds.

So, what should you do when your business is struggling? Use low-cost marketing to cut your budget and increase your efforts. Traditional advertising methods such as television, radio, and billboards tend to be pretty costly. Other, less expensive techniques can be just as effective, for instance, social media marketing.

Other low-cost marketing alternatives for small businesses are:

- Regularly asking your existing clients for referrals.
- Joining local networking groups.
- Writing guest blog posts for websites in your industry.
- Appearing on podcasts.
- Sponsoring local events (charitable, sporting).
- Hosting events or classes (locally or online).

Start here to optimize your website for marketing and conversion.

The Most Important Point: Be Persistent, Be Creative, and Pivot

Successful businesses persist through challenging times and come up with creative solutions to challenges. Sometimes they even pivot to a completely different business model.

Polaroid is an example of a company that did not approach problems with persistence or creativity. As digital photography began to take over in the late 1990s, Polaroid executives insisted that people wanted hard copy photos. As a result, they had to file for bankruptcy in 2001.

Yelp, on the other hand, used creativity and persistence to overcome difficulties. Their service started as a platform for getting recommendations from friends, but they could not seem to get much traction. In the end, they pivoted to focus on making it easy to write business reviews, and the rest is history.

Even in the worst circumstances, there are still options. During the coronavirus pandemic, many companies pivoted in significant ways:

- ○ Anheuser-Busch began manufacturing hand sanitizer.
- ○ Hanes started producing medical masks.
- ○ Lyft used its large fleet of cars to deliver medical supplies.

The truth is, running a small business is challenging. But, these difficulties do not have to sink your business. All business leaders eventually learn that persistence and creativity produce success.

How can you pivot in your business so you stay afloat and meet the demand of your clients?

There are numerous ways you can do this:

- ○ Utilize new sales channels.
- ○ Segment your customers.
- ○ Focus on a feature.
- ○ Change your revenue model
- ○ Change your pricing and positioning.
- ○ Adopt new technology.

Related Resources for Entrepreneurs

- **Podcast: How to know if your business idea is scalable**
- **Business Coaching: Join the Call to Action training to access the complete business package which includes the CRM Phalera, SOPs, Business Templates, and Project Management Tools.**