

TIPS *from* LauberCFOs

How to Come Out On Top In a Down Economy

Some businesses seem to weather economic downturns better than others. In this issue of Tips from LauberCFOs we offer some suggestions that we believe have separated the top performers:

Marketing Practices

- Focus on segments of your business that are hurt the least by current conditions.
- Focus on customer retention and reactivating former customers.
- Make sure you stay close to your key accounts. Your competitors will be gunning for them.
- Evaluate why customers are not buying and address any factors you can control like offering a lower cost, no frills alternative or extending payment terms.
- Reposition your message to deal with current realities, i.e. promote your equipment rebuilding services not just new equipment sales.
- Review advertising and marketing expenditures to ensure they are focused in areas that will provide the greatest return for the money.
- Keep an eye on your competitors and be prepared to move quickly if they falter.

Financial Management Practices

- Adhere to your credit policies. Don't pick up your competitor's credit problems.
- Keep the calculation of your cash breakeven up to date and manage your business with that in mind. If you don't know your breakeven point, you can't control costs effectively.
- Make use of an interactive financial model to test what if scenarios. A simple excel spreadsheet will

allow you to test assumptions and their effects on your bottom line.

- Take time to analyze profitability by customer, product or segment. This will allow you to focus on areas where you enjoy better margins.
- Know your costs so that you can make strategic pricing decisions.
- Be alert to the impact of decreasing order size on your fixed costs per order.
- Keep up communications with your lender. Make sure you don't surprise them. Be sure to tell your lender about any positive or negative changes, such as changes in your business plan and customers won or lost.
- Review your insurance policies and adjust sales and payroll estimates to reflect current realities.
- Take steps to speed up the analysis of your financial information. Ideally, you should be analyzing your financials at least monthly. Use estimates if necessary to improve the timeliness of your numbers. This information will help you respond quickly to changing conditions.

Staffing Practices

- Use updated forecasts to drive staffing levels.
- Use the tight job market to upgrade your staff. Many high-quality people are out of work or expecting layoffs now.
- Encourage use of vacation time now so employees are available when things pick up.

- To keep your good employee base intact, consider a reduced work week for everyone or rolling layoffs of one week off one week on.
- Evaluate the feasibility of temporarily reducing or eliminating your 401k match.

Business Management Practices

- React to current conditions, not conditions you wish existed.
- Like you, your suppliers are feeling the effects of the economy. Suppliers are looking for volume. Now may be a good time to consolidate and negotiate long term supply contracts.
- If your cash position allows, consider investing in activities like marketing and engineering that will better position you for the recovery.
- Require an extra level of approval for all discretionary purchases to ensure they are appropriate given current conditions.
- Check to see if you may be able to realign the frequency of various service and supply contracts with current activity levels. Consider uniforms, rugs, shop rags, equipment maintenance, waste removal, etc.
- Work off inventory levels to conserve cash. \$0.60 on a dollar today is worth more than “maybe” getting full value down the road.
- Shift costs you can’t control to your customer. For example, change prepaid freight to FOB Plant.
- Make use of trusted outsiders to help ensure you remain objective.

- Keep a few vendors current so you can use them for credit references.
- If you get into a jam, honest communication is key. If you make promises, keep them!
- Evaluate the necessity of travel. Determine if you would gain cost savings without losing effectiveness by using technology like conference calls, video conferencing, or webinars.
- Check to see if your landlord has any flexibility to defer a portion of your rent until things pick up.

Finally, stay positive. You can’t see where you are going if your head is down. People with negative attitudes tend to miss opportunities. The pendulum always swings back.

The above are just some of the steps you can take to cushion the effects of the difficult economic conditions. (Many of these are practices that really should be followed in any kind of economy.)

Not all of these actions are appropriate in all circumstances. If you’d like to personally discuss how your company can weather a down economy, call us at 414-273-8060 or, outside of Milwaukee, at 800-358-8060. You can also send me an e-mail at John.Lauber@LauberCFOs.com. One of our LauberCFOs would be happy to work confidentially with you.

Did you know?

In addition to providing Experienced Part-time CFOs, we have financial people at various levels available for projects and interim assignments. Our full-time recruiter is available to assist clients hire in-house financial staff.

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