

How To  
*Recession  
Proof*  
Your  
Business



E-Book

**SmallBiz** *Ladies*   
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## HOW TO RECESSION PROOF YOUR SMALL BUSINESS

This ebook is about money issues in your small business. Specifically this ebook discusses how to recession proof your business, make financial decisions, and secure a bank loan.

Here you tired of hearing about the slowing economy? Fewer openings, more layoffs and everyone wants more for less, while the expenses keep creeping up. Banks are getting tough with their lending practices. Times are tight, but this is a perfect time for an aggressive small business. Get smart about your marketing and business operations to recession proof your business. The two most important things to consider is marketing and cash management.

One of the best ways to recession proof your business is to stay Innovative. Innovation is not just about new or new business models. It can also be focused on ways of reducing operating costs and becoming more streamlined in your business operations. Look for opportunities to leverage technology in your business. Always look for ways to make your processes more efficient and more effective. Consider cloud based programs and applications such as Dropbox, Evernote, Basecamp, Expensify, Mint, Ifttt (if this,then that), Lastpass and all the Google apps to save you time and money. I have seen companies reduce costs by 50% while improving responsiveness to customers by as much as 85%. If you can increase service while increasing margins, you are sure to recession-proof your business.

Although customers have reduced spending on discretionary items when the economy is tight, they are always willing to invest in products or services that eliminate their pain. Problem solvers and specialists are always in demand. If their pain is the need for cost containment, how can you do it for them? Could you request a smaller fee up front for a percentage of the results on the back end? Focus on the pain you solve and you will keep a customer. Can you help your customer become aware of a pain that could soon be a big problem for them? Don't forget innovation is a powerful tool that can help you ride out the tough times and position you for future growth.



## HERE ARE 15 TIPS TO KICK-START YOUR BUSINESS MARKETING

Even though you think your enterprise will be the best thing since sliced bread, it is always a prudent idea to do some test marketing to see if someone besides your family and friends think your product or service is worth buying. Do some market research through online surveys or mailing to potential customers, conduct focus groups, or interview strangers to see if your idea is viable. Research today will save big money tomorrow.

### 1 **Keep the marketing going**

The first instinct may be to reduce or eliminate marketing expenses. If you can't afford a full-blown marketing program, pursue less expensive options such as media releases, public relations, targeted direct mail, e-mail blasts, social marketing sites, blogs, article marketing, and online newsletters.

### 2 **Keep in close contact with your customers**

Understand how their business is being affected by the recession and look for ways you can help. Lasting relationships are built in hard times.

### 3 **Start collections at 30 days**

The days of waiting 90 days are over. You need your money now. Once a client gets to 30 days get on the phone and track down the accounts payable manager for an update.

### 4 **Produce a three-six month cash flow projection**

Right now it is extremely important for you to understand your cash position. Determine where you can cut costs, and make sure on a weekly basis that you understand what money is coming in.

### 5 **Use the 2 to 1 rule**

For every \$2 dollars you cut in costs, invest \$1 into your marketing efforts. This is no time to cut back on marketing.

### 6 **Add value, not price**

Continuously adding value to your products and services is the way to get repeat customers and new business. Adding price without value is a lose/lose proposition.

### 7 **Offer a temporary price cut**

If you have retail business, consider cutting prices by 50% or doing a 2 for 1 deal. If you have a service business with a retainer or monthly fee, consider the first three months 50% off with a 1 year contract.

**8 Under promise and over deliver**

Excellent customer service is the number one way to encourage your customers refer you more business. Be known for delivering great products and services.

**9 Network, network, network**

Be everywhere. You want to be top of mind when an opportunity presents itself. People do business with people they know. Face to face contact is really the way sales happen.

**10 Give to get**

Look to give first before you get. When you meet a new contact, think solutions for them first or WII-FT What's In It For Them.

**11 Consider adding staff**

One good thing about layoffs is lots good people are on the market. You could pick up some quality talent you could not otherwise afford. Hire a salesperson and pay them commission only. Make them kill what they eat.

**12 Weed out unprofitable customers.**

Every company has customers that cost more than they add to the bottom line. Identify them, evaluate how to make them profitable customers, and if that's not possible cut them.

**13 Keep your personal credit high**

Your personal credit is your small business credit ultimately.

**14 Watch your business credit closely**

Pay down some principal on your lines of credit. Curb your spending on your line and don't give the bank a reason to charge you late fees.

**15 Call the bank before things get critical**

Regardless of your business situation, you need to communicate with your banker. The bank does not benefit if you go out of business, so stop the denial and negotiate better terms with your bank.

## HOW ARE YOU MAKING FINANCIAL DECISIONS IN YOUR BUSINESS?

It's great to have a nice website, a regular sales process and glossy business cards for your small business. All of these things steer sales, and sales is the engine that drives business. You must look credible in order for a corporation to do business with you. Customers must know where to reach you, so business cards are important. People do business with people they like, know and trust. You must have a relationship to make a sale.

Before you make any decisions in your business—you need up-to-date financial information about how your business is doing under the hood. Your goal should be to have a personal FICO credit score of 750 or higher.

By the 15th of every month, you should have three financial statements which should include a balance sheet, income statement, and a statement of cash flow. These statements will outline the previous month's business activities including what sales were made, who has paid you and who you owe, and how much cash you have on hand to make it through the next month.

Once you put a process in place to generate monthly financial statements (such as hiring a bookkeeper to reconcile your accounts monthly and generate the statements), get into the habit of referring back to your financial statements and annual budget for information. Do not make business decisions based on what the account balance is online. Also, do not make decisions based on what you want or think you need for your business. Ask yourself or your staff WHY three times before making any purchases.

Always refer back to your budget and see what it says you have planned to spend, before committing to purchasing equipment, hire consultants or make plans to attend any conferences. Also never purchase a booth at a trade show the first year you plan to attend—walk the show the first year. Talk to the other vendors about whether they got their money's worth. It costs a lot of money to attend conferences—be sure it's the right place to engage your niche target customer.

Here are four financial tips to keep in mind in your small business.

1. **Use a budget**—Manage your business with an annual budget. In October, start working on the budget for the following year.
2. **Monitoring profit margins**—It's fine to know your gross revenues, but in the end, it's really all about the profits you keep. In every sale, know how much money is for you.
3. **Understanding the cash position daily**—Cash is king. A business with contracts and no cash will soon be out of business.
4. **Know your numbers by the 15th of every month**—Do not wait until tax time to deal with your financial statements. Have them compiled monthly, so that you can know where you stand as a business.





## SECURING LOAN FINANCING FOR YOUR SMALL BUSINESS

Although credit is tight right now for small business owners, business loans are still available. Banks, CDFI's and alternative lenders will do business with you if you have the price of admission:

1. Good credit 700 or higher FICO score
2. Collateral to guarantee the loan
3. A Solid Business Model
4. A Plan to Repay the Money



Borrowing loan money from a bank is not a quick or easy process. Following these tips will increase your success with securing a bank loan.

### Make Sure You Are Using The Right Bank

It is best to borrow money when you do not need it. If you are currently doing business with a large commercial bank your success with getting a loan or much ongoing support once you get that loan is limited. Identify a local community bank in your area and open an account with them. Spend time building a banking relationship with the business banking specialist and the manager of the branch at least six months before you are ready to apply for a loan. You can get the money you're looking for if you have the right relationships. In community banks lending decisions are made locally. It all comes down to who the bank managers know and trust.

### Study Your Industry Trends

You must have a strong business model, and be able to quote your industry trends in a way that convinces your banker that your business will be a success. You must convince them to take a chance on you. You need to connect with your banker on an emotional level to make them become invested in your success. At the end of the day, you are selling yourself as much as you are selling your business. Showing your enthusiasm and determination are also key elements to making a great impression about your business

### The Ask Letter

This 1-page cover letter details your loan request, your ability to repay and your unique selling position, what I like to call your secret sauce. This is your first opportunity to make an impression, so be confident but be careful not to oversell your business. Make sure your sales projections are reasonable and conservative. Hype masters scare bankers. The number #1 goal of this cover letter is to explain why your loan should be considered. The goal of a cover letter is to explain your business model, how you plan to use the funds and repay the loan.

### Have an Up-to-Date Business Plan

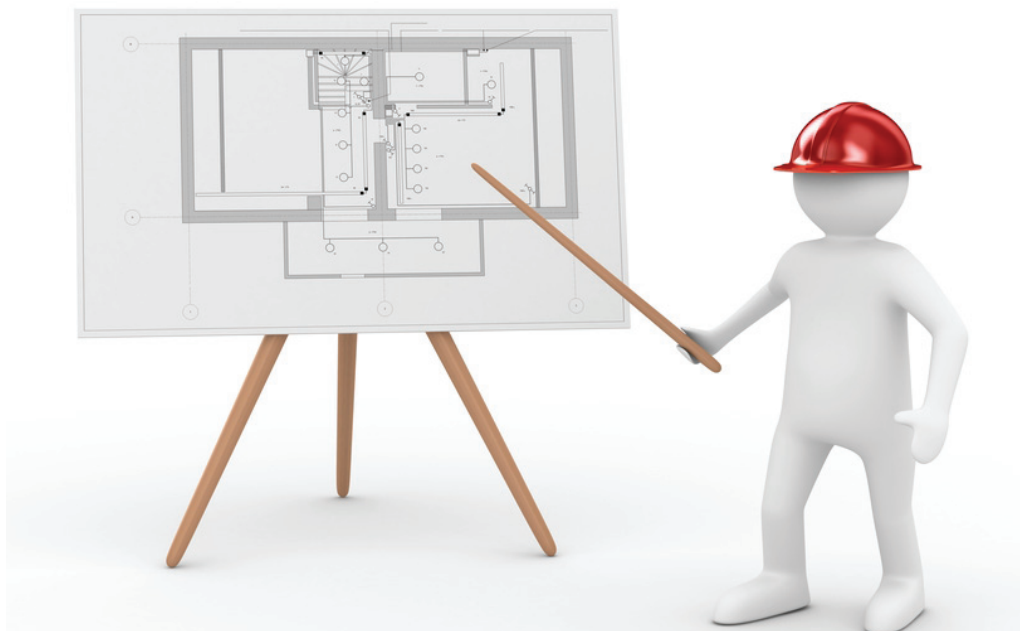
A 10-25 page business plan is plenty. Key components should include a concise executive summary, strong marketing plan and conservative financial projections that include historical financial trends. Be sure to include your industry background, your competition, your competitive advantage, and an existing client list is also great to show how well your business is doing to date. Testimonial letters from happy customers is always great to validate your business.

### Submit Financial Documents

You should be in business at least two years before applying for a business loan. You will be required to submit the past two years' tax returns for your business and yourself personally. Your spouse will also need to provide personal financial records if he/she is a co-owner in the business or a co-owner to any of the assets that will be collateralizing the loan, such as your personal home. Two years worth of business financial statements are also required including a balance sheet and income statement. Depending on your type of collateral; you may also need to provide a list of your accounts receivables and recent appraisals on your real estate and business equipment.

### Have a Plan to Repay the Loan

Make sure that your financial projections include regular repayments of the business loan. Also make a Plan B to explain how the loan will be repaid if the business fails. Have your lawyer review your loan agreement, and make sure to read the fine print. It is critical to understand the lender requirements and how your collateral could be liquidated if the business fails. As much as possible, try use your business assets as collateral and not your home.



# BECOME YOUR OWN BOSS

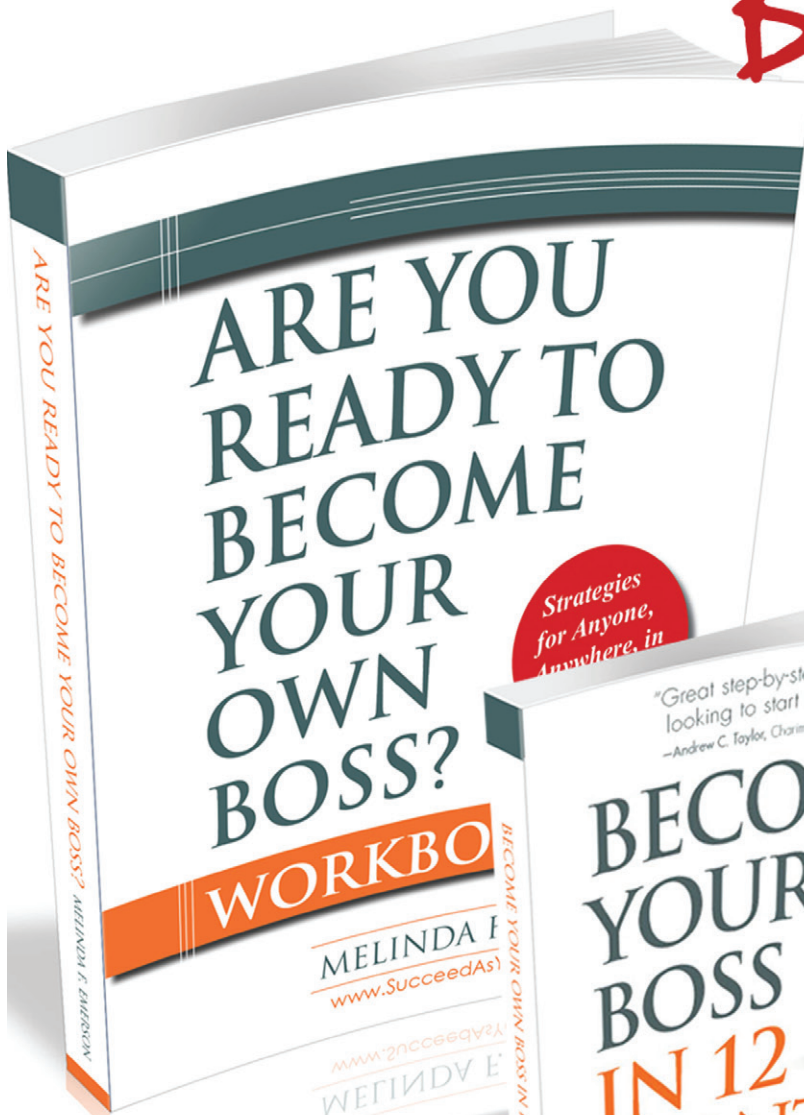
## Bundle Deals

**\$45**

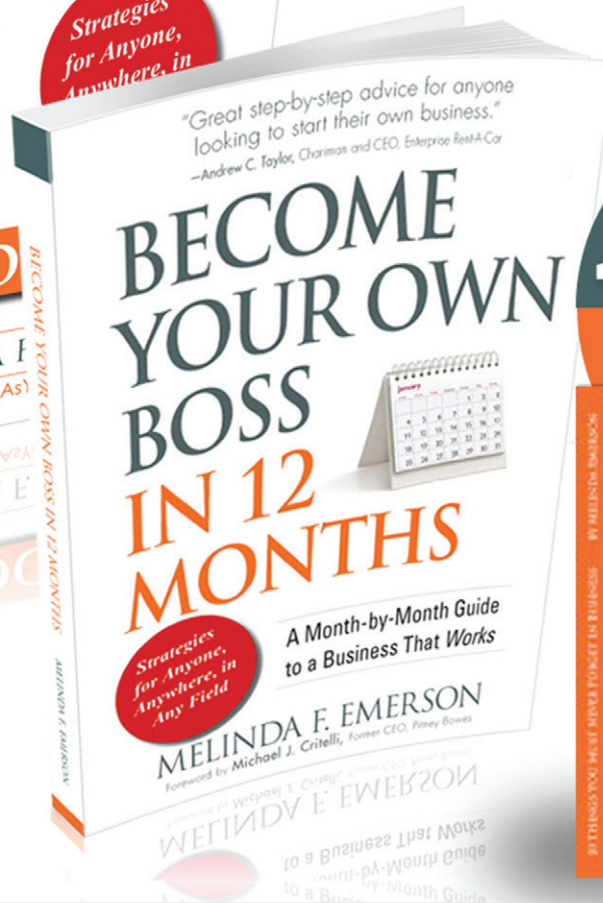
Book bundle

**\$65**

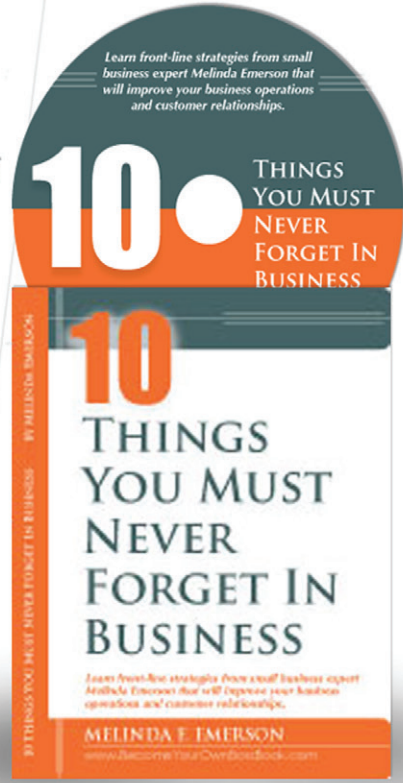
Books with  
Audio CD



Strategies  
for Anyone,  
Anywhere, in



Strategies  
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Any Field



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THINGS  
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## ABOUT MELINDA EMERSON

Melinda F. Emerson, **SmallBizLady**, is America's #1 small business expert. She is an author, speaker and small business coach whose areas of expertise include small business start-up, business development and social media marketing. As CEO of Quintessence Multimedia, Melinda develops audio, video and written content to help her Fortune 500 clients engage small business customers. She is a weekly columnist for the You're The Boss blog for the New York Times. She publishes a resource blog, [www.succeedasyourownboss.com](http://www.succeedasyourownboss.com) which is syndicated by the Huffington Post and hosts a weekly talk show on Twitter called #SmallBizChat for today's entrepreneurs. She reaches 1.5 million small business owners weekly on the internet. *Forbes Magazine* named Melinda Emerson #1 Woman for Entrepreneurs to follow on Twitter. Melinda has been featured on MSNBC, Fox News, NBC Nightly News and in *The Washington Post*, *Fortune*, *Essence* and *Black Enterprise*. She is also the author of the bestselling book "Become Your Own Boss in 12 months; A Month-by-Month Guide to a Business That Works." Melinda is a graduate of Virginia Tech.



To your success,

A handwritten signature in black ink that reads 'Melinda Emerson'.

Melinda F. Emerson "Smallbizlady"

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