

Riding Out the Recession

By Bill Phillips

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bill@bizgrowthsolutions.com

BizGrowthSolutions <http://www.bizgrowthsolutions.com>

The economy has seen better times. After 3 tremendous years of growth in our business in 1998, 1999 and 2000, our revenues flattened over the second quarter of 2001 and went south after 9/11. While the central Florida area has arguably been hit harder than most areas due to our dependence on tourism, I believe many of you have experienced similar circumstances.

Having been in business through several recessions (I had gas stations in the 70's when we had rationing) and financially surviving all but one, I would like to share a few thoughts.

Sometimes we learn most from our failures. In 1989 I had spent most of the decade building a thriving business in 2 retail stores. I did not foresee the "no name" recession that occurred in 1990 at the onset of the Gulf War. I opened a third store in another city and used nearly all of my capital reserves in doing so. When the war began, people cut back on spending. I experienced a 30% drop in sales almost overnight. With a negative cash flow and no cash reserves, it forced me to borrow money for operating capital. This began a "death spiral" which eventually cost me everything I had worked over 10 years to achieve.

Hindsight is 20/20, and looking back there were steps, if taken early, could have saved my business. If gangrene sets in, sometimes you have to cut off your arm to save your life! Hopefully, this recession has not caught you in the "death spiral", but here are a few tips that I learned the hard way.

EXPECT THE BEST, PREPARE FOR THE WORST!!

Conserve and preserve some of your capital! Set aside

at least 5-10% of your daily revenue into a separate account to be used as a contingency or emergency fund.

Carefully weigh any plans or obligations that could not be met with a 20-25% decline in expected revenues.

Do not personally guarantee any loans or long term leases! There is almost always an alternative.

Take a hard look at all possible means of cutting expenses. Make the tough adjustments sooner rather than later. Don't wait until you have no choice.

Don't be too proud to get advice! Ask other, possibly more experienced, successful business people. Talk to an attorney. Hire a business consultant.

Consider taking in a partner or selling your business. Again, plan ahead, ask a reasonable price and don't wait until you are desperate.

I hope I'm wrong but I believe there is a good chance that the economy is going to get worse before it gets better. Now is the time to get lean and mean. Take necessary steps now to weather the storm. In a year or two things should be better. If you can survive or even show some growth now, there will be a great opportunity to prosper ahead. Recessions weed out a lot of the weaker and shady competition. They tend to clear the muddied waters.

Weathering a recession tests your patience. It is very frustrating when sales are sliding or stagnant despite your best efforts. Here in Florida we have rip currents at the beach. Swimmers who drown try to swim straight to shore against the current, survivors ride with the current until it ends and then swim to shore. Don't fire all your help and try to work 16 hours a day to offset the economy or you will burn out and drown. Think twice before you double or triple your advertising budget. Get back to the basics of what worked when you first started. Try to relax, anticipate and do the best you can. This too shall come to pass.

--Bill Phillips is the Publisher/Editor of the BizE buddy Newsletter. With over 24 years sales, marketing & small business experience, he provides his readers with homespun tips, advise & resources. Visit his web site at: BizGrowthSolutions.com or to subscribe, Mail to: [Bizgrowthsolutions-19810@autocontactor.com](mailto: Bizgrowthsolutions-19810@autocontactor.com)

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