

THE GREAT LOCKDOWN: SURVIVAL STRATEGIES FOR SMALL BUSINESSES

'Do not boast about tomorrow for you do not know what a day may bring.' (Prov. 27:1). Somehow this verse reminds me of Forest Gump's *'life is like a box of chocolates'* philosophy. Since we do not know what the future holds, we plan for all sorts of possibilities. What if my business burns down? What if my server is hacked? What if I get sick and am unable to run my business? What if my customers don't pay me? We take out insurance, buy backup generators (even backup generators for our backup generators). We have no control over the future and to constantly worry about tomorrow is not how we are to live our lives (Matt. 6:34). Nevertheless, as good stewards, planning for future hardships is a biblical principle. Solomon tells us to consider the ways of the ant who *'stores its provisions in summer and gathers its food at harvest'* (Proverbs 6:8).

While large corporates and multinationals have the time and resources to put grand 'business contingency plans' in place (planning for everything from hurricanes to tsunamis and everything in between), for most small businesses, contingency plans are often limited to basic insurance, a small savings account or having your mother-in-law on standby if a staff member falls ill. Very few businesses were prepared for the impact of the current COVID-19 pandemic. The IMF predicted that the *'great lockdown'* will trigger the worst global recession since the great depression. Millions of businesses are already suffering the consequences.

If you are one of the many business owners facing tough times and working on a strategy to weather this storm, I'd like to share some tips and pointers that I hope you may find helpful:

1. START OUT RIGHT

None of your plans should start without God. Zoom out and look at the big picture, He remains in control even when we can't make sense of it all. Put your trust in Him and do not rely on your own knowledge, skills and abilities. Acknowledge the Lord in everything you do and He will direct your path (Prov. 3:5-6). As difficult as it is - stop worrying. It will not add an hour to your lifespan (Matt 6:27). Listen to Paul's words to the Philippians: *"do not be anxious about anything, but in everything by prayer and supplication with thanksgiving let your requests be made known to God. And the peace of God, which surpasses all understanding, will guard your hearts and your minds in Christ Jesus."*

2. SLOW DOWN ON DECISION MAKING

Decisions taken during stressful times, or even when times are good, tend to be driven by emotion. When we find ourselves in crisis, our fight-or-flight response kicks in. We make rushed decisions to respond to perceived threats, often not considering all the facts or the long-term consequences of our decisions. *'Whoever makes haste with his feet misses his way'* (Prov. 19:2). Take time to sleep and pray over decisions – very few decisions in life has to be made immediately. Get advice from trusted friends, family members, colleagues and professionals. In the words of King Solomon: *"Where there is no guidance, a people fall, but in an abundance of counsellors there is safety"* (Prov. 11:14).

3. MANAGE CASHFLOW TIGHTLY

Cashflow is the lifeblood of any business, without it, your business cannot operate, much like a car without fuel. Draw up a proper (and conservative) cashflow forecast and manage it daily. The guiding principle to improve your cash flow is to *increase and speed up cash inflows* and *decrease and slow down outflows*. If it was only as easy as it sounds – but here are some tips:

INFLOWS

- Offer early settlement discounts to outstanding debtors.
- Renegotiate payment terms of customers or offer discounted rates for COD orders.
- Request (or increase) deposits for new orders.
- Offer more payment methods – make it easy for customers to pay you.
- Run advanced promotions (think vouchers or package deals).
- For service industries – consider signing up new contracts with advance payment as opposed to being paid in arrears (even if you have to sweeten the deal).
- Invoice immediately – don't wait a week. Send out statements timeously.
- Regularly follow up on outstanding debtors. Businesses often pay creditors who are constantly on their case first.
- Get rid of bad or slow-moving stock. Be aggressive. Sometimes even losing money on bad inventory is better than tying up cash for months.
- Consider selling assets not essential to your operations or rent them out.

OUTFLOWS

- Reduce your operational expenses.
- Negotiate better payment terms (supplier terms are the cheapest credit you will get).
- Be strategic with your purchases and buy what you need, don't stock up too much.
- Spend time on your inventory. The closer to a 'just-in-time' system, the better for your cash flow.
- Change debit order dates to the latest possible dates (e.g 7th instead of the 1st).

4. PRIORITISE YOUR CREDITORS

There are few things as stressful as not being able to pay your creditors on time. Who do you pay first? Should you pay everyone the same or some more than others? Here are some guidelines:

- Prioritise those who need it most (smaller businesses rely on your payments far more than larger companies).
- Prioritise creditors crucial to your operations.
- If you are unable to pay everyone in full – try to pay at least something. This will speak volumes of your intentions and will go a long way when negotiating with your creditors later.
- Settle small creditors in full - it is easier to deal with one or two larger creditors than having to deal with twenty at the same time.
- Contact your creditors before they contact you and don't avoid them when they call. Be honest about your situation and propose a staggered payment plan and keep to it.
- Make sure your taxes are up to date. Not only will outstanding tax attract considerable penalties and interest, but your business will also need a Tax Clearance Certificate to qualify for assistance by many of the COVID-19 relief funds.

5. SPEAK TO YOUR STAFF

Do not pretend that nothing is wrong. Explain the challenges your business faces and make your staff part of the solution. Encourage them to come up with plans and ideas on how to save costs or increase sales. Remember, the success of your business affects everyone's livelihoods, theirs included.

6. SPEAK WITH YOUR BANKER

The recent relaxation of rules governing South African credit providers has made it somewhat easier for banks to accommodate individuals and small businesses. Many of them have already approved payment holidays on bonds and loans. Speak to your banker about possible solutions, whether it be a payment holiday, a short-term credit facility or consolidation of your debts. Making debt should always be the last resort. Only use credit if you are confident of your ability to repay and use only what you really need.

7. SPEAK WITH YOUR LANDLORD

While landlords generally take a tough stance when it comes to requests for rent relief, this pandemic has somewhat rewritten the rules. As landlords are also under pressure at this time you may find their first response to your request to be the typical: 'we sympathise but unfortunately'. Don't give up, take some tips of persistence from the nagging woman whom Jesus talked about in Luke 18 (without missing the true meaning of the parable). Some of the concessions that I know landlords have agreed to during this pandemic, and which you may be able to negotiate, are:

- Partial discounts on rental (e.g. 50% off April's rental).
- Deferred rent for all or part of your rent with an arrangement to pay it off over a few months. (E.g. 50% off rental for April and May, with the unpaid portion payable over six months or perhaps even the remainder of the lease period).
- Applying whole or part of deposit either permanently or to be topped up again over time – more specifically in cases where two- or three-months deposit was initially required.

8. KEEP YOUR EYE ON THE BALL

When the kitchen is on fire it is easy to forget about everything else. No matter what your crisis, do not lose sight of your core business activities. Keep on training your staff, write procedures, develop new products and stay on top of your admin. If you fail to do this you will be in a worse situation later on.

9. CUT COSTS

As the saying goes, a dollar saved is a dollar earned. While many South African businesses have already cut expenses to the bone – there is always room for more. Go through every single expense in your business. Ask questions. Do I really need this? Am I paying the right price for this? Is there an alternative? Don't focus only on the big stuff, look at every small expense, even toilet paper and cleaning materials. Renegotiate prices with suppliers or shop around for alternatives. Go through your insurance policies and ensure the values of depreciating assets have been updated. During lockdown, for example, some businesses have asked insurers to temporarily remove third-party insurance on stationary vehicles and limit it only risks such as theft and fire.

10. MEND YOUR NETS

Don't only concentrate on getting feet in the front door while losing them through the back. Reply to customer enquiries quickly. Quote quickly (the same day if possible, even if you have to work later). Make sure your staff have good product knowledge. If you lose out on quotes, find out why. Make it easy for customers to do business with you (look at your trading hours or capacity to handle queries). Put controls and metrics into place. You cannot manage what you cannot measure.

11. BE INNOVATIVE AND START THINKING OUTSIDE THE BOX

Innovation in business is a continuous process. It is evolutionary and not just one big thing. It often starts with small incremental changes. Be open to new ideas. Try new things, and be prepared that some will fail. Question everything, including all your assumptions. What if we try this? Why do we do it this way? Start with the desired outcome and work backwards. For example, start by asking '*What if we can offer our customers x?*' then start brainstorming ways to achieve this. Often brainstorming about one thing sparks great ideas for something else. Don't do it alone, involve your staff. Brainstorm with people from different industries and backgrounds – a fresh and different perspective may just spark something new.

12. SHARE COSTS

The sharing economy is revolutionising the way we are doing things. Billionaires are sharing jets, and the Swiss are placing stickers on their mailboxes to indicate items their neighbours can borrow. Consider the following:

- Explore cost-sharing partnerships with other businesses (it could even be competitors). This could range from co-owning assets or splitting the cost of something that would work out more expensive if both had to do it separately (e.g. subscriptions, freight costs or even rent).
- Rent rather than own. While some things make sense to own, other things may work out cheaper to rent (or borrow). Owning assets not only require a capital investment, but costs such as maintenance, insurance and even depreciation in value may not justify the investment.

13. BOOST CUSTOMER ENGAGEMENT

As the saying goes, out of sight out of mind. Ensure that you are regularly in touch with your customers. Send out newsletters, do courtesy calls. It takes a lot of time and effort, but the value is incredible. Do not only promote products, add value. Give advice or share the latest news and trends in the industry. Encourage dialogue, ask your customers for suggestions or run surveys.

14. ADD MORE VALUE TO YOUR PRODUCTS AND SERVICES

Why should potential customers choose to do business with you? How will you protect (or even increase) your market share? Ensure that you add the necessary value to your customer offering. There are more ways to add value than discounts and promotions. Give your customers the best service money can buy. Make it convenient, easy and pleasant to do business with you. Don't assume you know what customers want. Find out what they *really* want and try to deliver on it. Improve the quality of your products. Offer more options. Deliver faster. Give the best advice. Offer better warranties or after-sales service.

15. START BARTERING

Just because you don't have the money to buy something does not mean you can't. Long before people traded in cash, they used to trade goods and services, and still do. Trade exchanges are great ways to ease pressure on your cashflow and often result in a win-win for both parties. Barter deals are more common than you may think, especially between small businesses. A restaurant may need new menus and can approach printers to exchange meal vouchers for a print job.

16. KNOW WHEN TO CHANGE COURSE

Giving up on a specific idea, project or product is not always easy, but may be necessary. There are times to persist and push through and there are times to change course. Sometimes your energy and resources may be put to better use on something new. It is often emotional sentiment, pride, or the fear of failure that causes us to persist at something that has little or no chance of working. Do not be stubborn, there is a time and season for everything. Sometimes it is time to take a new course of action. *'Many are the plans in the mind of a man, but it is the purpose of the Lord that will stand'* (Prov. 19:21)

17. MAKE USE OF GOVERNMENT ASSISTANCE

The South African government announced several measures to assist businesses. To take advantage of these and other forms of assistance, speak to your accountant or other professionals for guidance. Some of the measures announced are:

- The COVID 19 TERS fund allows employers whose operations were suspended due to the pandemic to claim between R3500 and R6730 per month per employee. Visit www.labour.gov.za for more information.
- Reimbursements for ETI incentives will be made monthly instead of bi-annually.
- A four-month tax subsidy for businesses of up to R500 pm for each employee earning less than R6500 per month.
- Businesses with a turnover of less than R50m per year may delay 20% of their employees PAYE, as well as the business's provisional tax payments for four months and pay over six months without interest or penalties.
- SMME relief finance funding has been made available for qualifying SME's. This is a soft loan package of up to R500 000, at an interest rate of prime minus 5% and payable over six months. Visit www.smmesa.gov.za

18. MARKET SMART AND BE CAREFUL WITH YOUR PRICING

As tempting as it is, do not pull back on your advertising and marketing efforts. Research has shown that companies who continue, or even increase their marketing efforts during a recession, experience greater growth and market share thereafter. Instead, finetune your efforts and find alternative methods. Build referral networks, they are cheaper and often far more effective. And if you have to cut back, apply the 80/20 rule. Instead of cutting an equal percentage on all marketing, keep spending on those that really work and cut the rest.

Be careful and strategic with your pricing strategies during the recession. Don't just arbitrarily hike prices to make up for lost revenues, or slash prices to sell more. Instead of slashing prices, consider loyalty/rewards systems (e.g. every 10th coffee or haircut is free) or offer vouchers instead of reducing prices. If you have to increase prices, try to offset the effect by other value adds. Instead of blanket discounts to everyone, consider dealing with this on a case by case basis, or only for those on your newsletter database. Make discounts work for you, e.g. customers must pay upfront, meet a specific

order size or commit to a term contract. Discount on bundle deals, it will offer greater value for the customer while increasing the total spend.

19. USE THE LOCKDOWN PRODUCTIVELY

All those admin tasks you never have time for, well now you have it, a full five weeks! Use this time to think about your business. Critically evaluate what you do and how you do it and think of ways you can improve your operations. Write training manuals for your staff. Sort out your inbox and filing systems. Formalise policies and procedures. Work through your costings and re-do your budget. Research the latest trends in your industry. Keep developing yourself by reading books and articles or signing up for webinars or free online training programmes (there are lots). Update your website and marketing materials. And don't forget to rest, you're going to need it.

20. DON'T STOP GIVING

In an economic downturn, businesses understandably look at cutting their charitable commitments first. While at times you may not have a choice to temporarily suspend or reduce it somewhat, only do so if you truly have no other choice. Whether your commitments are to the poor and needy in your community, charitable organisations, missions or your local church, remember that they too will be impacted by this recession, perhaps even more than you would. *'Cast your bread upon the waters, for you will find it after many days. Give a portion to seven, or even to eight, for you know not what disaster may happen on earth.'* (Eccl. 11:1-2).

I hope you have found some of the above helpful. As you work on plans and strategies for your own business often involving tough decisions, I pray that God will guide you and grant you wisdom, understanding and peace at this time.

God bless.

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