



SECRET SAUCE

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Recession remedies

Best practices for keeping your business up in down times **BY HELEN KAILO CHANG**

RECESSION? WHAT RECESSION?

At Laura Massoni Travel in Little Italy, the owners are preparing for down times by taking out extra lines of credit. Not to cushion their own business, but to possibly buy other struggling companies. Executives at CBIZ accounting firm are planning how to handle 15% more potential business in the coming year.

At Toddco General, an electronics manufacturer, the owners expect to buy more Web ads as a way to reach more clients.

For many business people, recession brings fears of slower revenue, cash flow crunches and hiring freezes. Yet, for others, it is another opportunity for growth.

"Anytime the economy changes significantly, we try to stand back and identify

what kind of opportunities it will create," says Greg Landers, Poway-based group director of CBIZ.

While many San Diego businesses are engaging new strategies to deal with recessionary times, many of these practices are useful even during growing markets. These tactics might be considered best practices in any type of market, and they are honed

further during trying times. These practices include: contributing to the community, watching cash flow, continuously marketing, seeking new opportunities and planning for good and bad.

LOVE THY NEIGHBORS

Many businesses say they are recession-proofing their businesses by stepping up community involvement. Particularly for retail and service industries, this anchors a business to its neighborhood and fosters customer support, they say.

Laura Massoni Travel, which did \$1.3 million in revenue last year, specializes in incentive packages, as well as tours to Italy. In past years, the agency has stayed close to its community and clients by offering memberships to business, church and community associations. This year it plans to sponsor more children and health charity events, where the company can set up booths and meet potential clients, says director Michael Tabarez.

"We've been able to stay recession proof, because we are able to network and maintain a face and a voice for the company," he says. "There a lot of people who shop the internet, but the reality is that people will do business with people they trust."

Conceptions Children's Resale, a discount store in Santee with revenue of less than \$500,000 last year, plans to offer more promotions to police officers, firefighters and day-care centers in the area. This is to build more presence in the community, says Torrie Miller, an owner. "We do a lot of networking with small businesses, and grassroots marketing."

Savory restaurant in Encinitas, which did in excess of \$1 million last year, also plans to continue sponsoring community events. Some 80% of its customers are located within a two- to three-mile radius of the restaurant, says owner and chef Pascal Vignau, so community involvement is a natural marketing tool.

WATCH YOUR WALLET

Watching the checkbook is sound business practice in good times. In hard times, it can mean the difference between success and failure. This does not necessarily mean

cutting budgets. It means choosing carefully where to put the same dollars.

Toddco General, a Miramar-based electronics manufacturer with revenue of less than \$5 million last year, plans to spend less on product development and more on sales and marketing this year. "I don't think we're going to go out and buy a bunch of equipment," says general manager Bob Hamilton. "It's tightening up."

He notes that some of their products are already mature, so money is better spent marketing those existing products. In addition, the company will cut its lead time for manufacturing. "We'll order it when we need it, and not ahead of time, so that we're managing the cash flow as best we can," says Hamilton.

Laura Massoni Travel also plans to take out extra lines of credit to possibly acquire other companies. "There are other companies that may be experiencing recession, but they have a good clientele or a good market or a good niche," says Tabarez. "Establishing those extra lines gives us the ability to analyze it and see if it makes sense. That allows us entry into other markets that we may not pursue normally."

KEEP MARKETING

During hard times, many companies cut back on advertising and marketing. Yet that is exactly when marketing is most critical, say business owners.

Toddco may not cut its marketing budget, but it plans to shift advertising dollars from trade shows to the Web, says general manager Bob Hamilton. With the falling dollar, the company is more competitive in the European market, and it plans to attract potential overseas clients by expanding its website and buying pay-per-click internet ads.

"Across the country and across the globe, [the internet] is a great equalizer," says Hamilton. "We're a small company, but we can look like a big company. We have just as much presence on the Web as anyone else, as long as we position it correctly."

Conceptions Children's Resale also plans to do more marketing on the Web. In the last two years, Craigslist has cut into its business, as individuals have started to sell their used goods online rather than go to secondhand shops. "Before, people wanted to get rid of their stuff," says Miller. "Now, people come in and say, 'Hey that's not enough, I'm just going to go sell it on Craigslist.' Part of it is because of the popularity of Craigslist, but part of it is possibly because of the recession that people are trying to get more money than they were before."

Now, the store is also marketing on Craigslist. "We can go on Craigslist ourselves to sell our items," says Miller, "just to get people to come in and tell them we have a lot more selection, and show them that we're very safe and clean about what we do."

For service companies such as CBIZ, marketing means staying in touch with clients. Late last year, as many of their clients started to see business weakness, CBIZ directors began lunching with their clients' presidents and CEOs, simply to understand more about the challenges they face and how the accounting firm can help.

One client in the construction industry was experiencing serious cash flow challenges, and CBIZ was able to make several suggestions. This would not have happened if CBIZ had not reached out first, says Landers, but since doing so, the client has called regularly to review its progress.

Such marketing efforts create customer loyalty, even if no direct sales transactions

are made. "We recognize that relationships are built in hard times," says Landers.

SMELL THE OPPORTUNITIES

Perhaps the most important recession remedy is to keep looking for new opportunities. In slow markets, "businesses often react in terms of how to defend where they're at," says CBIZ's Landers. "We've learned from the dotcom [bust] that there are opportunities that are created in these kinds of situations, and you need to stay focused on looking at what those opportunities are."

CBIZ plans to market to large companies that need to cut costs during recession. Such corporations may have hired the "Big Four" accounting firms in past years, but faced with earnings and investor pressure, they may now consider less-expensive accounting firms.

"We see more opportunity from this change in the economy," says Landers.

PLAN FOR GOOD AND BAD

If it picks up such clients, CBIZ's business could in fact grow by 15% in the next two years, says Landers. This would entail planning for new hires, workspace, deadlines and more, while keeping its current customers satisfied.

The flip side of planning is also looking at a shrinking business, says Landers. In such a scenario, the company would have to seriously consider its pricing structure.

"We like to pre-think a couple of scenarios and not make it a science project," says Landers. "If revenue drops 15% or increases 15%, that goes back to how to manage the business. The notion is you don't want to wait until it's past the point of acting." ■

RECESSION-PROOF YOUR BUSINESS *Seven tips for outliving a recession, no matter how great or small:* **1 CONSULT YOUR BANK ABOUT YOUR BUSINESS FINANCES.** You may consider opening a line of credit for bridge loans. **2 KEEP GOOD RELATIONS WITH CREDITORS.** You may need to renegotiate terms and payments. **3 WATCH YOUR RECEIVABLES.** Follow up with delinquent clients, but be willing to be flexible. **4 REVIEW OPERATIONS AND EXPENSES REGULARLY.** You may want to review your business plans, operations and expenses monthly or even weekly, so you can make adjustments quickly and stay on track. **5 CONTINUE MARKETING.** You want to let existing customers know you are still around, while reaching out to new customers. Consider sending out email newsletters. **6 MAINTAIN GOOD CUSTOMER RELATIONS.** Return calls promptly. Address client concerns immediately. Make sure your Web site allows customer feedback. Ask your customers how you can serve them better. **7 BUILD A SUPPORT NETWORK.** This can consist of advisers, professionals and industry groups. Seminars, trade publications and online boards can also help. SOURCE: SCORE, a nonprofit business advisory group (www.score.org)