

SURVIVE WITH STRENGTH

The
10 STEP
SURVIVAL PLAN
FOR EVERY BUSINESS

A Practical Business Guide

DAVE CROSS

The 10 Step Survival Plan
For Every Business
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Fletcher-Cross Consulting
801 S. Broadway, Ste 1
Santa Maria, CA 93454

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Introduction:

Survival of the Most Prepared

A Survival Plan is a very positive process for a company to go through. Not only will it prevent uninformed and rash decisions, it could ultimately save jobs along with your entire business.

'The 10 Step Survival Plan' provides guidance to develop a structured plan to handle tougher economic times. The idea is to be prepared and to make it through as unscathed as possible.

The fact is, if you continue to do business the way you are right now and not be prepared for what is coming, you might find yourself out of business tomorrow.

Now is the time for action, but you do not want to do it without proper planning. The worst thing to do is to panic and make unrealistic changes that may adversely affect your business in the long run. The Survival Plan helps you to make the correct decision when it is necessary.

The extent that you use these survival measures depends on your business situation and the circumstances of your business. You may require minimal changes, or you may need to implement more extensive measures.

This guidebook will provide valuable insights and a practical plan to get your business through tough economic times. It will help you to determine the best course of action to follow.

Some of these survival methods may be temporary measures, but you may find that many of your changes will become permanent. That is because they effectively deal with waste that no business should carry.

The goal is to become lean and efficient, survive, and then come back stronger when the time is right.

By the time you finish your survival plan, you will have tackled the most critical aspects of your business. You will have a game plan and a timetable. You will be more confident and will have established clear leadership. Your entire company will be less stressed knowing that there is a plan for handling any upcoming economic situation.

Be strong, be resilient, and be tough.

Good luck, Survivor!

Part I

The Survival Mindset

The Survival Mindset is:

*“Recognizing a potential crisis without panicking,
and then developing a successful plan
to confidently deal with it.”*

Step 1: Fully Develop Your Plan *Before* Implementing It

“Don’t start on a journey without knowing where you are going or you might end up in the wrong place!”

Fully develop your plan before implementing it. It does not take long to go through the Survival Planning Process, and to take action without fully thinking it through will cause you to make uninformed decisions. The time spent preparing your plan will not only produce much better results, it will also reduce stress, prevent misunderstandings, and provide for better decision making.

1. Decide WHO will be involved in the Survival Plan

- The Survival Plan should be prepared by a limited number of responsible people.

There are a number of reasons for this. You do not want rumors going around about actions that you are proposing to do because, as you know, they usually get exaggerated and taken out of context. Also, by limiting the number of involved people, you keep outside influences at a minimum.

- Whether it is just you, or a small number of people, make sure that what is said stays in the room while the plan is being developed.

This assures confidentiality and creates an atmosphere where everyone will speak his or her mind freely.

- Choose people that you really trust.
The information that you will be evaluating is sensitive information. Financial matters need to be kept close to the vest and not shared outside of the room.

2. Maintain the Proper ‘Survival Mindset’:

- Be Honest and Detached:

First and foremost, you have to make the decision to be honest and detached when you examine your company or organization. You are so close to your business that your impressions, your biases, and your personal viewpoints may not allow you to see things clearly for what they are. It is just like that old saying: “not seeing the forest for the trees”.

If you feel you cannot stand back and view your business objectively, then it would be best to have a business consultant become involved and work with you on this.

- Decide NOT to panic or make rash decisions.

Panicking in any situation that involves your business can create poor decisions that cause long term harm to your organization. On the other hand, no action at all might spell certain doom for your company.

Clearly, you have to do something, but what? What adjustments should you make to get your business through a current negative situation?

The best process relies on clear thinking and analysis. However, after all the analyzing is done, options are examined, and a procedure is laid out as to how to handle it, you must follow through with action.

It is important to remember that a business problem does not have to be just about profit and loss. It could involve things such as product quality or personnel. It could also involve friction among company leaders as to the direction it needs to go. In the end, however, it all eventually reflects on the bottom line, which is whether your business is making a profit.

Step 1: Fully Develop Your Plan *Before* Implementing It

- Determine the extent of the problem that needs to be addressed.

The first step for survival is to recognize where there is a problem and just how significant it is. This is important because you have to understand exactly what you are dealing with.

We are all unique people. Some of us may deny that a problem exists until we are backed into a corner. The actions we finally take may be excessive and cause us to reflect that earlier action would have been much easier. An example would be evidence of a quality problem that shows lack of training. You have a thousand widgets in the field with something wrong with them and find out that the assembler has been putting them together wrong for over a year. You did not investigate thoroughly enough when isolated complaints started happening months ago.

Others of us may overreact at a situation and consider a problem to be significant when it isn't. The danger here is making changes that disrupt and actually hurt the organization. An example could be a downturn in sales that is caused by seasonal factors. Sales go down and you panic, firing your best salesman for poor performance, only to realize that "sales always go down during the two weeks before and after taxes".

Therefore, you must be able to clearly say: "I have a real and significant problem that is affecting my business and it needs to be examined and evaluated. Then I will make the best and most appropriate decisions necessary to correct it."

- Commit to resolving the situation

Sometimes, for whatever reason, the owner may not be committed to correcting the problem. This sometimes happens, and problems can really put your commitment to the test. Resolving a significant problem is difficult enough as it is. Lack of commitment makes it worse.

“Any company can be exceptional and successful when everything goes right. The real test occurs when things go wrong.”

The Survivor Mindset requires you to make a commitment to resolving the problem.

- Decide that you WILL take action.

After all is said and done in regard to analysis and planning, you have to follow through by taking the appropriate action. Sometimes people freeze when it comes to implementing what needs to be done. Decide now that there is going to be action taken.

- Find a place to make your analysis

You need a place and time where there will be as little distraction as possible.

Your area needs to have enough room to where you can freely examine all documentation and keep them organized. It also needs to be a secure area, especially if employees can see what you are doing. All of this sensitive information needs to be kept private.

3. A big part of your Survival Plan is going to be determining how you present the impending changes and cost reductions to company personnel who were not involved in the Survival Plan process.

- It's okay to let people know there is a group looking at the situation.

People feel comfortable knowing that potential problems are being addressed, and that the aspects that pertain to them will be explained when it is time to do so.

Emphasize that this plan is being created to handle potential situations so that rash decisions are not made.

Step 1: Fully Develop Your Plan *Before* Implementing It

- Ask for cost cutting suggestions from your employees and ideas about increasing production, sales, and efficiency.

You might be surprised that good ideas come forward that you would have never thought of.

Also, employees will no doubt see some of the same things you will see as far as items that can be reduced or eliminated.

4. Do not reveal any of the results of your plan before it is completely finished.

Leaking information will kill the morale of the company. Instead of being assured that the situation is in capable hands, the whole process will be viewed negatively.

Unsubstantiated information will create attitude issues and rumors. It will give the impression of incompetence to the people who work for your company.

Worksheet for Step 1

- ___ Who will be doing the Survival Plan?

- ___ Find a place where you can comfortably review all necessary information and concentrate without interruption
- ___ Set aside enough time to do an adequate job in creating your plan
- ___ Commit to maintaining a ‘Survival Mindset’
- ___ Make sure that anyone involved maintains confidentiality while your plan is being developed.
- ___ Document your plan. Keep it in a folder or series of folders, so that you can re-evaluate it later.
- ___ Complete the entire plan before taking action.
- ___ It's okay for people to know that the Company is planning to address the current economic situation.
- ___ It is NOT okay to leak information during the process.
- ___ Ask for ideas and suggestions for reducing costs and increasing production and efficiency.
- ___ Part of the Survival Plan will be how much of it you will reveal after it is completed and when.

NOTES

Step 2: Evaluate Your Situation

“You need to know exactly where you are today to accurately determine where you need to go tomorrow.”

To see your situation clearly, you have to have the most accurate, up to date information at your fingertips. This includes financial data, profit and loss figures, and expense sheets. You also need manpower sheets, payroll reports, and sales figures.

1.) Determine exactly WHERE the Problems are:

- Knowing you have a problem is one thing. To find out exactly what it is requires you to isolate WHERE it is in relation to your business.

Is the problem with expenses? Is it with procedures? Is it with employees?

Simply saying, “We are not making enough profit to cover expenses” is not enough, not even close. You have to dig into your numbers and find out where the problem is.

There could be a number of problems affecting your business, but you have to begin isolating where they are coming from. This is easier to do when you use a structured approach.

2.) Keys To Determining Your “Profit Trend”

I.) Know exactly what your expenses are and where the money goes. Do this by routinely examining expense records:

a.) Flag those expenses that seem exaggerated or unusual. Then check out the reason for it.

- b.) Compare expenses with records over a period of time. Often, expenses may not seem excessive but have actually climbed steadily every month.
- c.) Justify each expense, even if it is just mentally, as you go down the expense record item by item. Usually, anything out of the ordinary will “jump out at you”, especially after making it a habit to review the expense reports every month.
- d.) Do not let accounting information sit and pile up without at least a cursory examination of them. Obviously, you cannot detect a problem unless you look, and problems need to be corrected before escalating into bigger problems.

II.) Keep a close eye on sales and revenue totals.

By comparing sales and revenue records over time you can determine trends regarding the following:

- a.) Seasonal trends and effects of weather.
- b.) Outside factors that affect your business such as community events, conventions, local economic factors, etc.
- c.) Effectiveness of your sales force. It may show who is motivated and who isn't.
- d.) A steady growth or decline of revenue.

III.) Examine your “profit margin” by subtracting your total expenses from your sales and revenue totals.

How does it compare to last month? How about last year?

- a.) Often monthly totals can fluctuate, especially if seasonal factors affect your business. It can be more accurate by comparing a track record of the same month in preceding years.

Step 2: Evaluate Your Situation

- b.) Look at your profit margin in respect to any marketing or advertising campaign that your company performed. Was it as successful as you had hoped? Be sure to include this bottom-line information when you evaluate the effectiveness of your advertising as a budget item..

IV.) Subtract your account receivable to determine your “net profit”.

Your account receivable includes all money that is owed to you but has not been paid. The “net profit” is the actual cash available to the business *before taxes*.

V.) There are some important factors to look for in your trend of account receivables:

- a.) Are they primarily the result of growth in the form of new accounts?
- b.) Are some customers building up a higher and higher deficit? If so, take steps to stop that trend. Your customer may be having financial problems, and the last thing you want is to be left holding the bag with no money when they cannot pay.
- c.) Are you seeing a trend by customers toward overdue payments? If so, you need to concentrate more on calling your accounts for payment, and incorporating procedures to assure a prompt and timely check.
- d.) If your account receivable are going down, is it because of measures you have taken to reduce them? Or are you actually losing some customers? This can sometimes be an indication that your customer has found another vendor or service provider.

VI.) For a true and accurate financial picture of how your business stacks up, make sure that the following statements & records are at your disposal to review:

- a.) Profit and Loss Statement : this gives a snapshot of the overall financial fitness of your business including all of your assets and liabilities.
- b.) Sales Records: This can tell you what is happening with sales compared to last year and in recent months. It will also indicate what is selling and what isn't.
- c.) Current Expense and Cash flow records

These are all tools to determine company value and the ability to meet commitments and obligations.

VII.) By now you should have an idea of the extent of your profit trend.

A consistent downward trend is cause for alarm and adequate adjustment is needed.

- a.) The extent of your adjustment depends on the extent of your downward trend.
- b.) You should consider a combination of expense cutting and price adjustment to stabilize your profit margin.

3.) If something stands out as excessive or unusual, flag it immediately.

- Do immediate research to find out why this item stands out.

If it requires sifting through a history of billing, then you have to do it. There is no way around it. You have to get to the bottom of it. If, for some reason, you cannot do the research until later, have an 'Action Item' on it to assure following up.

- Every expense, no matter how small needs to be justified.

Make sure you do the research and have all of the information handy. When you proceed on to the next steps to cut expenses, you need to be as accurate as possible.

Step 2: Evaluate Your Situation

4.) Know where you are with your current Manpower:

- Review who is assigned to what and what the requirements are for each department.
- Have records available for review that shows hours worked as well as wages, pay increases, and bonuses.
- Compare hours worked to previous year or a past selection of months. Is it taking more hours today to accomplish the same task before? If so, there are some efficiency issues or training problems at work.

5.) Make sure you know exactly where you are right now with cash flow, money owed, account receivables, account payables, inventory commitments, stock items, manpower, and work commitments before proceeding to the next step.

- By now you are already 'red flagging' certain items for review.

Special Report for Step 2

How to Dig Yourself Out of a Cash Flow Crisis

It may well be that you are already in a crisis situation. Here are some of the more common reasons for cash flow problems and what to do about them. Incorporating these measures can bring immediate relief to your cash flow situation.

I.) Not enough immediate funds to tie you over until additional revenues come in:

It is okay to borrow money to get you through a rough stretch of road. Just make sure that you have a plan to pay it back and that steps are taken to get your profit margin back on the right track.

II.) High account receivable:

As already mentioned, account receivable is money owed to you but not paid. It is basically “credit” that you have given someone or some company. By using the steps that will be covered later in Step 8, you can eliminate this problem from reoccurring.

III.) Prices set too low:

If your profit margin is not set high enough, no amount of sales will compensate for it. If you cannot sell a product line at a price that brings a reasonable profit, eliminate it, or find a creative way to change it or repackage it so that it sells at the higher price.

Instead of pricing your product or service to “sell” and then trying to make a profit from it, price your product for “profit” and then try to sell it.

III.) Declining sales:

Get off your fanny and get out there and sell your company! It makes no sense to sit at your desk and whine about low sales. Put on a coat and tie and start seeing customers and meeting new ones. Go door to door or house to house if you have to. Start talking to clients about your product or service, and you will find out real quick why your sales have dropped!

Big advertising campaigns will bust your budget, especially if you are already short of funds from low sales.

Your only real option is to use every low-cost marketing avenue available, and that usually means you! Join organizations, meet with groups, get involved in your community. Go out there and let everyone see who you are and what you offer!

As your sales begin to pick up, brainstorm about other advertising and marketing avenues, including news letters, press releases, sponsoring events, etc.

IV.) Poor business management:

Unfortunately, most of us won't admit that we are poor business managers even in the face of the ultimate evidence ... business failure!

Only then do we realize that we don't know everything after all. In fact, there are aspects of owning a business that have totally stymied you. You could whine about it, you could accept the fact that you just couldn't cut it, or you can go to the library, go to school, go to workshops and learn about managing your business!

Professional advice should be sought when necessary. Remember Henry Ford's line of thinking: *"You don't have to know the answer to a particular problem. You just need to know how to get a hold of someone who does!"*

Talk to other business owners. You can also contact your local office of SCORE (Service Corps Of Retired Executives). These are experts who can give you counseling advice on all aspects of your business, and it doesn't cost a dime! They are connected to the Small Business Administration and can be found through your local Chamber Of Commerce.

V.) No backup funds:

Be very wary when there is plenty of work and sales have picked up, yet all you are doing is staying ahead of your bills and making a profit, but with nothing left over. No extra funds are available. Why is this such a big problem?

First of all, if you aren't putting away chunks of money when times are good, you are going to get hit hard when things slow down, and sooner or later, they will!

Second of all, if you don't have extra funds available, and you had a good period of sales, you will be totally overwhelmed with taxes. The government agencies who are funded by those business taxes will not be happy if you cannot pay. In fact, they can *and will* destroy your business and your life with no remorse.

Isn't that reason enough to put a percentage of profit into a backup bank account to be used when necessary?

VI.) Lack of credit or no access to credit when needed:

If you have a superior credit rating and banks wanting to loan you money, you obviously have a good credit rating and can be entrusted with more money. Your business may never fail because you have grasped the relationship between integrity and profit.

On the other hand, if you have been less than honest with paying your debts, you may find yourself "paying the piper" when the time comes to need money and you just can't convince anyone to loan you any.

Step 2: Evaluate Your Situation

The solution is simple: work twice as hard to pay off your debts and **reestablish credit**. Get a copy of your credit report and examine what “they say” you owe.

Every unpaid debt has a story, but you must make good on them to clear yourself. If there truly is something which is not legitimate, take appropriate steps to have it removed from your credit record!

VII.) Excessive manpower costs:

Occasionally you may find yourself overstaffed. Perhaps it is seasonal, or maybe you have found new methods that don't require as many employees.

No one wants to lay anyone off or have to fire anyone, but government has seen to it that manpower costs are astronomical. Most businesses simply cannot afford to “carry” people. If employee costs are a large part of your business, you simply can't afford not to reduce your manpower.

Here are some solutions:

- *Lease employees.*
That way you don't have to hassle with employee taxes and compensations. When you run out of work, simply send the person back to the leasing company.
- *Build a “core” of top performers and pay them well:*
These people will work harder for you when the extra effort is needed instead of having to hire more labor.
- *Eliminate any and all overtime:*
Ordinary labor costs are excessive, but overtime destroys any semblance of payroll budgeting.

VIII.) Money tied up in excessive inventory:

Many times this is associated with quick growth or “the big job”, where large amounts of inventory must be purchased up front. This presents a cash flow problem until the job is finished and payment to you is made.

Here are some ways to alleviate this problem:

- Get a sizable deposit. 50% would normally be adequate to pay for materials. Do not do a big job without securing a deposit and payment based on levels of completion.
- Talk to your vendors about extending your credit for an additional thirty days. Explain the cash flow situation, and if you have been good about paying your bills, they will normally work with you .
- Get a temporary loan to provide adequate funds to help get you through until the job is completed and paid for.

By utilizing the above steps, you can get control of a crisis situation and buy enough time to incorporate permanent measures which will keep you out of future cash flow problems.

Worksheet for Step 2

- ___ Gather all of your financial information for examination.
- ___ Have work force documentation available, including hours and wages
- ___ Look for "trends" that go the 'wrong way' in expenses, sales, account receivables, and account payables.
- ___ Note anything that stands out as being unusual or excessive.
- ___ When something stands out, research it and find out what is happening with it.
- ___ Make 'Action Item' notes on items that you feel should be looked at in greater detail.
- ___ Make sure you feel comfortable knowing your current business situation before proceeding to the next step.
- ___ If you are in a current Cash Flow Crisis, take steps to alleviate the immediate pressure.

Notes

Part II Cost Cutting Measures

*"Sharpen your pencil and look at ALL of
your company's expenses."*

Step 3: Eliminate Non-Essential Expenses

“When the time comes to focus only on what is essential, start eliminating the unessential things.”

Non-essential expenses are often tough to nail down. Each business has to determine what is essential and what is not.

- To determine if an expense item is essential or not, look at it in a clear, non-biased way and ask, "Is this item necessary for the company to operate its mission?"

1. Many non-essential items are in the form of "perks".

These are the kinds of items that people tend to rely on over time and many are tied to moral within the company. Elimination or reduction of these kinds of items should be in conjunction with a meeting or written notice explaining why the cuts are necessary.

2. Carefully assess memberships in other associations that require dues, as well as donations to non-profit groups.

No one wants to cut support for these groups. The success of non-profits rely upon the generosity of local businesses. That is why you need to carefully assess each one. The bottom line, however, is the survival of your business.

Membership dues to the Chamber of Commerce, for example, should not be touched. During tough times, you can utilize the Chamber for cost effective network marketing and one on one contacts.

3. Other expenses that may be non-essential, or can at least be cut back, include:

1. Contractors for housekeeping and cleaning, landscaping, and maintenance
2. Meals at restaurants
3. Trips and travel at the business expense
4. Conferences
5. Subscriptions
6. Special Events
7. Any other expenses that you feel you can do without that are not critical to your company's mission.

4.) Make an initial list of all items that you feel are non-essential expenses.

Even if you have doubts, add it on at this time.
The goal here is to make this list as comprehensive as possible.
Later, you will justify each expense.

5.) Look at each item with scrutiny

- Some items will jump out as non-essential.
- Other items need to be looked at closer.

You may find a justification for a non-essential item. However, even justifiable items could be cut back. If you cannot eliminate a non-essential item, the next best thing is to reduce it.

6.) Summarize the cuts you will make with non-essential items.

- List the item, the amount of that item, and what the savings will be by eliminating it or reducing it.

Hopefully, as you total this list up, you will find some savings for your company.

- Exponentially expand the cost cutting savings for the item out to monthly, quarterly and annually.

Step 3: Eliminate Non-Essential Expenses

What you will find is that even items that seem small add up into excessive expenditures over time.

For example, if you were paying \$10 a week for bottled water, eliminating that would save over \$500 annually.

7.) Determine HOW you intend to eliminate or reduce each item.

Most items, even non-essential ones require some kind of notification to cancel it.

8.) Create an "Action List" to eliminate or reduce your non-essential items.

The purpose of the list is to have all the contact information handy and the steps you need to do to eliminate or reduce the expense. When you take action, you can do it in one fell swoop, or in stages as required in your plan.

- On each item, indicate the person and number to contact.

For example, to cut back on bottled water, list the company and number to call on the 'Action List'. That way, when you are ready to take action, you do not need to thumb through papers and records to find the contact information.

- Add "WHEN" to each item: a date that you intend to cancel it or reduce it.

You may wish to cut back on the office cleaning service from every day to once a week. This requires notification with the company. Indicate on the Action List when you want the change to start.

9.) Double check each non-essential item.

- Before finalizing your Action List, double check each item to make certain that you are not eliminating something that you shouldn't.

You do not want to cancel a service and then discover that you need it. Not only does it look like you are acting without proper judgment, many services have a start-up fee. You certainly do not want to have to turn around and pay that again!

Worksheet for Step 3

- ___ List every expense item that you feel could be non-essential
- ___ Do appropriate research on each item to see if each one is truly non-essential
- ___ Remember that some non-essential items can affect moral. Be aware that some items will require discretion when they are eliminated or reduced.
- ___ If you cannot do without an item, at least consider cutting it back.
- ___ Next to each non-essential item on your list, indicate the amount of savings that will be made by eliminating it or cutting it back.
- ___ Exponentially expand the savings out to monthly and yearly to see how much will be saved over an identifiable period of time.
- ___ Determine HOW you intend to eliminate each item.
- ___ Make an "Action List" list of steps required to eliminate or reduce each item and WHEN you intend to do it.
- ___ Have your "Action List" ready so that when you take action, you can do it in one fell swoop, or in stages as indicated in your plan.

Step 4: Reduce Fixed and Operational Expenses

“When you look to cut costs, sometimes you need a cleaver and sometimes you only need a penknife”

There are often opportunities to reduce or eliminate fixed and operational expenses. Even such expenses as rent, leases, and utilities can be examined, renegotiated, and opportunities could be there to significantly reduce costs.

Let's talk about most types of expenses and where you may possibly reduce them.

1.) Manpower and Employees

Obviously, manpower is a considerable expense, and one that is often the highest expense for a small business.

If you need to cut hours, here are some options:

- Reduce the number of employees:
No one likes to lay people off, but if the work is not there, you do not have much choice
- Voluntary Furlough or Hour Reduction
Some employees may wish to volunteer for time off or reduced hours. This is always a good option to use before resorting to mandatory cutting of hours.
- Mandatory furlough :
If you feel the lack of work is temporary, have an employee take a mandatory one-week or two-week furlough.

- Reduce hours:
Reducing hours for non-critical employees is a good option. These hours should always be routinely examined.
- Fewer open days:
If there is not enough work to last all week, you can close your business or store an extra day per week .

For example:

You may decide to operate Tuesday through Friday and schedule what would normally take place on Monday for later in the week.

As a retail operation, you may find that you have almost no sales on a certain day. Therefore, it may be cost effective to be closed or reduce hours for that day.

- Shorter Hours:
It may be efficient to reduce your working hours by an hour or two, by opening later, or closing earlier.

If you can reduce your operating hours without impacting your overall profit and income, then it benefits you GREATLY to do so.

Think of it this way:

If your business earned \$5000 per week being open 6 days, and you could still earn that amount by only being open 5 days, you will have cut your expenses significantly and dramatically increased your profit margin.

2.) Business Insurance and Workers Compensation

- Contact your insurance provider and ask for a plan that has better rates for:
 - a.) Business Insurance, including liability and inventory
 - b.) Vehicle Insurance for your company vehicles
 - c.) Workers Compensation
 - d.) Medical and Health Insurance

Step 4: Reduce Fixed and Operational Expenses

- It doesn't hurt to shop around for better rates. The savings can be significant.

3.) Rent:

- You may be renting a place that is too large and a smaller, less expensive place might be more appropriate.
- You may be able to negotiate with the owner for a lower rent for a period of time. This may include your willingness to improve the building in some way and apply a monetary value to that.
- Or, you may agree to a lower rent payment now and agree to pay it back with increased rent at some agreed to time down the line.

4.) Equipment Leases:

- Leases can sometimes be renegotiated or paid off through a loan with a better financial payment plan.
- Longer leases and loans hold lower monthly payments. When you weigh everything out, it may be beneficial to go that route even if the interest payments are higher. You can always pay it off when you get an opportunity to do that. In the meantime, the lower payment can help reduce your expenses until you are caught up.
- Paying off the lease or consolidating leases may be an option if you have financing available. You may be able to secure a business loan that pays off your debts and gives you a smaller monthly payment.

5.) Telephone/ Internet and Cell Phones:

Many plans exist today that can decrease your telephone service costs. On the other hand, there may be hidden costs associated with them. Take the time to review your telephone bill.

- There are so many business telephone plans available that it is difficult to keep up with them. Chances are, if you have not changed your plan in a long time, there is a better plan out there that saves you money.

- Start with your own telephone company and ask for a plan that reduces your monthly fee. If there are competitors in your area, ask them for a bid for their service.
- Combining services may bring extra savings. Having Internet and phones on the same bill may save you money.
- Employee use: Make sure that employees are not making long distance calls, misusing the telephone, or otherwise running up your telephone bill.

6.) Office Expenses

There is such a broad range of expenses here that it is difficult to imagine not being able to reduce costs simply by sharpening your pencil and determining what is essential and what isn't.

- Printers and copiers cost a lot to operate and are often used excessively. The average business can spend hundreds of dollars each month on ink, toner, and making unnecessary copies.
 - Go paperless where possible. Use e-mail and your computer to send and store documents and information as opposed to printing them out. This will save on ink costs as well as paper costs. Just remember to back up your hard drive!
 - Use a local copy shop. The cost of a copy runs about half at a copy shop than from your printer and small copier. On larger runs, the savings are substantially more.
- There are some very good reason for embracing computer technology and paperless.
 - 1.) All those ink cartridges cost a lot of money. If you haven't noticed, the cost of a printer is relatively inexpensive. It is the ink cartridges that cost a fortune! By reducing paper and ink costs, you can save up to hundreds over the course of time!

Step 4: Reduce Fixed and Operational Expenses

- 2.) Documentation saved in the computer instead of printed out frees up desk space and reduces clutter around the office.
- 3.) You have greater flexibility to distribute documents, manuals and reports at a lot less cost than printing and binding them.
- 4.) It is worth the investment to convert files to a .pdf format that most people have. Even if they don't, they can get the free reader download to view them.

Bottom Line: Go paperless and save!

7.) Electrical:

You can save on electrical expenses in a myriad of ways:

- Cutting hours of operation.
- Turning off equipment and lights.
- Keeping the heat turned down
- Not using air conditioning
- Outside lights (converting to motion detector lights as opposed to lights that stay on all the time)
- Upgrade to new energy lights and standards. (It will not only improve efficiency, some of these have rebates from the electric company or the government.)

8.) Water:

Fix all leaks and running toilets, etc. This wastes water and can add significantly to your bill.

9.) Trash:

If your business produces waste, you may be able to have a smaller trash dumpster, especially if you make an effort to recycle.

10.) Cutting Inventory Costs:

- Work with your suppliers and vendors to either cut costs or stretch them out. If you are COD, ask to be net 30. If you are net 30, ask to be net 60. You may be able to do it in exchange for longer contract.
- If you are spending a significant amount of money per month on inventory, having an extra month to pay could reduce your expenses by thousands.
- Another trick to gain an ANOTHER additional month would be to pay the supplier with a charge card. You can then pay that charge card back on time with minimal cost to you and you would have gained another month for cash flow purposes.

CAUTION:

It is easy to cut costs by purchasing lower quality items or materials, but if it lowers the quality of your product or service, it will cost you more than it can ever save you. Do not fall into this trap! There are other ways to save other than compromising the integrity of your product!

If a vendor says his product is “just as good as the higher quality stuff”, don’t believe it until you have tested it rigorously yourself!!!

11.) Vehicle Expenses:

The cost of maintaining, fueling, insuring and servicing vehicles used by the company can be very expensive. There are numerous ways to cut vehicle expenses:

- The most obvious way to cut vehicle expenses is to stop using it, or use it less. If you have more than one vehicle, only use one of them.
- Find a less expensive source for vehicle insurance

Step 4: Reduce Fixed and Operational Expenses

- Instead of paying for gas with company cash, use a gas card assigned only for gas and vehicle expenses. Not only will it be more convenient, you will have a print out each month with your bill that itemizes all of your vehicle expenses.
- Using a card will also help you to keep an eye as to how your vehicles are being used. If there is an indication of excessive or unauthorized use, it will show up on the monthly invoice from the card company.
- Delay non-essential maintenance for your vehicle. However, do not hold back on maintenance that has to do with safety, such as breaks and severely worn tires, or maintenance that has to do with your engine.

12.) Other Expenses:

- There are probably expenses particular to your industry and your company that can be reduced or eliminated.
- Leave no stone unturned in your search to make your expenses leaner.

13.) Just like you did for non-essential items, make an "Action List" for these regular operational expenses.

14) Indicate the savings for each item and exponentially expand it out to monthly and yearly so that you can see the overall savings.

15.) On your 'Action List', indicate the contacts, phone numbers, and steps that you need to make to reduce each item.

- Just like you did for non-essential items, indicate HOW you will reduce them.

16.) For each item listed, indicate WHEN the cutbacks will occur. This is more important for fixed and operational expenses than with non-essential expenses because they are the cut backs that usually involve manpower.

17.) When the time comes to take action, do it in appropriate stages.

- Unlike non-essential expenses, operational expenses and fixed expenses may best be reduced in stages, depending upon how aggressive you need to be in reducing your expenses.

This is especially true when you are dealing with manpower and employees, as well as other essential aspects of your business.

- Don't forget to flesh out in your Survival Plan the HOW and WHEN you are going to incorporate the stages of cost cutting measures.
- When figuring out the 'How' and the 'When', it is important to consider what events, or what situations "trigger" a specific cutback.. The prime example is labor and possible hour reductions and/or layoffs.

Worksheet for Step 4

___ Carefully review the following fixed and operational expenses for possible reduction:

- ___ Manpower and Employees
- ___ Rent
- ___ Equipment Leases
- ___ Telephone, Internet and Cell Phones
- ___ Office Expenses
- ___ Electrical
- ___ Water
- ___ Trash
- ___ Inventory Costs
- ___ Vehicle Expenses
- ___ Other Expenses: ___
- ___
- ___

___ Next to each fixed or operational expense item on your list, indicate the amount of savings that can be made by reductions.

___ Exponentially expand the savings out to monthly and yearly to see how much will be saved over an identifiable period of time.

___ Determine HOW you intend to eliminate each item.

___ Make an "Action List" list of steps required to eliminate or reduce each item and WHEN you intend to do it.

___ As part of your plan, group your cost-cutting measures into stages, and know when each stage will go into effect.

___ Consider as part of your Survival Plan what will “trigger” cost cutting measures, especially as it involves labor and cutting hours.

NOTES

Part III

Operational Changes

*"To survive and compete, change the way
your company does business."*

Step 5: Eliminate Unprofitable Services and Products

“If it doesn’t end up making money, don’t try to sell it.”

I. Services

1. If your Company is based around a service that you provide:

- Evaluate which aspects of your services are most profitable and use that as the core of your business.
Later we will discuss retargeting your marketing efforts.
We will also talk about re-evaluating your pricing.
- Do not spend money on those services that do not contribute to making a profit.
For example: if you are a landscaping company that also does tree trimming, but the tree trimming requires equipment rental that negates your profit, stop doing that.

This may seem obvious. However, unless you piece together the total costs of providing some services, you may not realize that you are not making money on it. That is why analyses of all your services is so important.

2. Other incidental Services that are associated with your business:

- You probably are providing services that you either do not charge for or do not pay for themselves.
- You should do one of two things: either start charging more for them, or eliminate them.

- There is one other important option for these services that you should consider before eliminating them.

If a particular free service that you do accounts for enough business to cover that specific service and will continue to do so, you should either charge for it if possible, or keep it as is.

Face it, during tough times you have to balance profit and loss. **HOWEVER**, you still have to stand out above the competition, and if a particular service does it, then keep it. The bottom line is that even though you may not charge for that service, it brings in business. That makes it profitable.

The point we are making is to weigh each and every service before eliminating or changing fees.

2. Determining the Cost of a Service:

Every service has a cost, it is important that you determine what that cost is.

- The cost of a service can involve many aspects, but each aspect **DOES** cost money:
 - a.) Employee time: A service usually require an employee to spend additional time to do it. Determine how much employee time is necessary to do the service and list it.
 - b.) Materials: A service could involve special wrapping or boxing, for example. This cost needs to be accurately determined.
 - c.) Delivery Costs: If a service requires transportation, there is an associated cost for that, especially these days when vehicle operation costs are so high.
 - d.) Shipping and Handling: The cost of shipping and handling a product should not be underestimated. It includes materials, labor, and postage.

II. Products

3. Determine the profitability of the products you offer:

- It costs money to stock an item that doesn't sell. Sometimes tough economic times requires streamlining what you offer. This is not a bad thing. This is being productive and efficient.
- It should not be hard to determine what your best selling product is. Focus on the products that bring you the most profit.
- Analyze all remaining products with a view toward profitability.
- During tough economic times it is important to streamline and use the most profitable products as the core of your business

5. Creatively re-market and repackage what you offer to succeed in tougher economic times, but resist the urge to Expand.

- Creative repackaging and marketing will be discussed later.

6. Resist the Urge to Expand what you offer

Often, businesses try to do the opposite of eliminating products and services by *expanding* what they offer. This is not the time to be experimenting with things that you are not experienced in providing.

- Expanding products and services involves expenses in setting it up properly with effective marketing and sales. All of this costs money. Resist this urge.
- Follow the course of the most profitable franchises.:
Take fast food, for example. During tough economic times, they get back to basics and offer their basic meals at a cost effective price. They also repackage what they offer to cater to the economy. They make things simple and they stick with promoting their most profitable goods and services.

- The exception is to offer something that fits your niche and does not require additional advertising and costs to add.
- Bottom Line: Use extreme caution in expanding products or services. In fact, you are better off not doing it. The best thing to do is get back to basics, then repackage and re market your product and services.

7.) Adjusting the Price of your Service or Product

It is usually the best policy to always stress quality over price.

- **HOWEVER**, during tough economic times **PRICE IS CRITICAL**. But there is a way to do it without sacrificing quality and service.

8.) "Bundling" your products or services:

- "Bundle" your products and services so that you can offer them individually at a lower price, but the volume of sale allows you to recover your profit margin.

1.) By "Bundling", you can tie in a number of products and services to have an economical total price.

2.) Bundling allows you to provide a deal that is hard to refuse.

- A Great Example of successful "Bundling":

1.) "Value Meals" at fast food restaurants. By "bundling" food items together into a value meal,, they can sell each item cheaper and still make a profit by selling them as a combination.

9.) "Add on" products and services:

- Another great option to use is to provide an "add on" to a basic product or service that you offer.

Step 5: Eliminate Unprofitable Services and Products

- A Great Example of an "Add On":

1.) A Florist offers a dozen fresh roses at the low price of \$24.

-But for \$15 more you can get a beautiful red vase.

-For \$10 more you can add a trendy "sound card" that says "Happy Valentine's Day".

-For an additional \$12 you can add in a nice, heart-shaped box of chocolates.

- Finally, for \$20 they will deliver it for you.

A \$19 offering ends up costing you \$81! Now THAT is smart marketing.

10.) Considerations for pricing your product during tough times:

- Keep your prices high enough to cover all expenses and make a reasonable profit. Find creative ways to “sell” your product as opposed to relying on a lower price to do it for you.
- Maintain quality and value, even as you find ways to reduce costs and bring in customers.
- Customer service has value too!
Make sure your cost covers this.
For example, if your company highlights delivery and pickup as a customer service feature, it costs your business money in the way of wages, gas, and vehicle maintenance. Make sure that you are not losing money on this and it is reflected in your pricing.
- If you are considered to be an expert or specialist in a particular type of product or service, remember many customers are still willing to pay more to get the best.

Don't sell your company short!

- Pressure your vendors and suppliers to keep their prices low so that you can do the same for your customers.

- Give your customer the option to have a higher quality product or service that they would pay more for.

This appeals to the customer who is price conscious as well as one that wants to pay more to get more. Many will opt for the higher quality.

- Be keenly aware of the products or services that provide the highest percentage of profit.

You should consider "bundling" the lesser profitable items, or using them as an "add on". Eliminate them if they drag your company down.

- Eliminate any product or service that you break even or lose money on, unless there is a way you can "bundle" it with others or use it as an "add on".

10.) Times that you should offer price breaks:

- a.) When you are eliminating a product line and need to sell the remaining inventory.
- b.) Goods that are slightly damaged but still perfectly functional, and otherwise they would forever collect dust.
- c.) You are introducing a new product that the customer will be willing to pay more for later.
- d.) You are a brand new business and you are trying to develop a customer base.
- e.) It is intended as a donation for a non-profit group.
- f.) It is a long time customer who appreciates an occasional price break and will follow up with a lot more business.

Step 5: Eliminate Unprofitable Services and Products

11.) Consider what your competitors are doing:

- Compare your pricing with your competitors
- Be creative and present your products and services in a better way.
- Do not get in a price war with competitors over specific products.

No one wins with a "price war". The reason no one wins is because no one makes a profit. Customers will continually go to the lowest price and, in a price war, someone will always try to undercut you.

- Instead, use "bundling" and "add on" options to outperform the competition.

Special Report for Step 5

Dealing with your Competition as Part of your Survival Plan

You may be developing a Survival Plan to adequately handle tough economic times, but your competition probably is not. That means that they will do the unpredictable. If panic sets in, they could try almost any tactic to stay in business. What they might do could cause a reaction on your part or adversely effect on YOUR company's position in the marketplace if you are not aware and prepared.

In this Special Report, you will learn how to keep an eye on the competition and maintain the upper hand.

I. Keeping “Book” On The Competition

The first step in maintaining your position in the marketplace is to know your competitor, what their capabilities are, and what their vulnerabilities appear to be.

Call it what you will: a game, a battle, a challenge, but the goal of being in business is to get more customers and grow. You can only accomplish this by ultimately outperforming your competitor in some, or all, areas of your business.

1. Start a File Folder on each Competitor

- a.) Assign a priority to them by level of significance. Put the more important ones to the front, and concentrate on those.

Step 5: Eliminate Unprofitable Services and Products

- b.) For each competitor list pertinent information such as phone number, fax number, address, owner's name, E-mail address, website address, etc.
- c.) Keep in the file copies of their ads in yellow pages, directories, newspaper, or magazines.
- d.) Every time you come across information pertaining to a competitor, include it in the file.
These include business cards, brochures, flyers, sales ads, newspaper clippings, public relations information, etc.
- e.) Have a price chart for each competitor where you keep track of their prices for different items.
- f.) Any other pertinent data including:
 - 1.) What you know about their suppliers and sources.
 - 2.) Number of employees.
 - 3.) Customer comments about them.
 - 4.) What their niche or specialty is.
 - 5.) How they market and advertise.
- g.) Compile a list of known customers of your competitors.

2. Shop Your Competition

- 1. Call your competitor. Have someone call and just ask about services and prices.
- 2. Shop them or have someone shop them for you:
 - a.) See how they handle customers.
 - b.) Check out items or services they promote over others.
 - c.) Find out about price variations or "add-ons".
 - d.) See what they say about your company and your product.
Do they insinuate that they are "as good as your company", or do they try to discredit you? Find out!

3. Go by Their Place of Business

- 1.) How does the appearance of their store look? Is it easily accessible? Do they have a good location?
 - 2.) What do they promote in their window?
 - 3.) What can you see when looking in? Equipment? Materials? Products? Work in progress?
- Important Point:
Do not become obsessed with the competition. Run your business the way it should be run, but keep a wary eye on what is happening in the marketplace. The last thing you want is to be taken by surprise or unaware of the competition's tactics.

II. Go Where Your Competition Isn't

Competing head to head and fighting over customers can be expensive and exhaust a lot of company resources. It is generally more cost effective and practical to find new ways to exploit the marketplace. The last thing you want to get caught up in is a "price war" over specific items.

- Here are some examples:
 - a.) Top Notch Carpet Cleaning was locked in tough competition over regular commercial and residential customers. They decided to try and tap the high end market by targeting rich neighborhoods and high class hotels and restaurants. This became their niche.
 - b.) Craft Automotive found itself in an oil change and tune-up war. They devised a strategy of marketing other businesses with two or more vehicles. They offered corporate accounts and contracts based on the following: After the first complete tune-up they would add other services and vehicle checks during each scheduled maintenance at no charge above the standard maintenance price. They would then call each corporate customer every three months to schedule the vehicle services.

- c.) Antonio's Italian Restaurant doubled its prices, brought in some musicians, and marketed their establishment as "the place to go" for romantic occasions and events.

The possibilities involving your company are only limited by your ingenuity and rugged determination.

III. Five Aggressive, Competitive Strategies

In an ideal world, there are enough customers for you and your competitors to all succeed and grow fabulously wealthy without having to actually *compete* with each other. You get together once or twice a year to share your success stories and talk about what a great relationship you have in such a hearty industry.

Not only is that NOT the reality in the real world, during tough economic times it can turn into an absolute brawl to maintain a customer base to survive and be successful.

There are not enough customers to allow every business to succeed. Accept that. Be aware in your Survival Plan that no competitor is going to go down without a fight.

Since most small businesses are built on the sweat, tears and life savings of their owners, there is a constantly tough, competitive battle for winning a share of those customers. Additionally, there are corporations with substantial workforces which can only survive by growing and gaining more and more customers. In an economic downturn, those large corporations will either fight to the last, or close and liquidate. You need to keep an eye on them.

These corporations usually have the advantage of a larger marketing budget. During an economic downturn, anything can happen, so you need to be sharp, determined, savvy, energized, organized, and mentally prepared to compete.

- Many sports and battle strategies carry a common thread that is convertible to business competition. They deal with methods of either focusing your strength or exploiting your opponents weaknesses, while at the same time trying to incorporate a psychological advantage.

As Harry Truman, the 33rd President of the United States plainly explained: “Carry the battle to them. Don’t let them bring it to you. Put them on the defensive.”

Here are five competitive strategies that deal with different market circumstances. They are intended to get your own competitive juices flowing to create your own strategy for dealing in an aggressive, competitive market:

- Competitive Strategy #1:

Force your competitor to worry about keeping the customer base they already have, while you expand yours.

In 1863, during the Civil War, Robert E. Lee devised a plan to boldly attack the North and destroy the Union’s will to fight. The problem was that the Union army itself was posed to capture the South’s capital of Richmond and end the war. How could he defend his own capital, keep the Union army preoccupied, and still mount a formidable invasion? He barely had the resources to do even one of those options, let alone all three! Here is how he did it:

He used every kind of trickery available at the time to make a small group of men positioned in the capital to look like an entire army. Using logs disguised as cannon, and generating as much clanging noises as possible, they marched clumps of soldiers back and forth in full view of the Union army. They even had the same soldiers circle around and pass by again so that it looked like one long column of troops. The Union army was unwilling to attack such a formidable force and seemed content to just stay entrenched outside of the South’s capital. They even requested reinforcements, thinking that the southern army was preparing to attack them!

Step 5: Eliminate Unprofitable Services and Products

While the Union army was frozen and mesmerized by this play acting, Lee took his real army into Pennsylvania and invaded the north! As it turned out, this incredible strategy almost won the war for the South.

Translated into a business strategy:

Use a small amount of resources to make your competitor think that you are going to gobble up his customers...

a.) Send sales people to the businesses or customers that are physically close to him.

b.) concentrate on those customers which are known to be his best ones.

c.) design a single page flyer or sales letter directed toward those customers.

d.) Have one of the flyers or sales letters “accidentally” mailed or faxed to your competitor.

These steps should create considerable activity from your competitor geared at solidifying his relationship with his own customers.

While he is preoccupied with keeping the customers he has, you will be essentially keeping him at bay...

Then, launch your own marketing campaign targeting new customers.

- **Competitive Strategy #2:**

Recognize that when a competitor lowers his prices or offers special discounts they are probably desperate for business, and promptly use it against them.

Example:

A gas station desperate for business began offering \$29 tune-ups, a low, almost unprofitable price, but business picked up briskly.

Their savvy competitor, who was already in a stronger position, created a banner which he placed over his business which read:

“ We *fix* \$29 Tune-ups!!”

People got the message immediately, and his own business increased dramatically, *all at the expense of the desperate competitor.*

- Competitive Strategy #3:

Invite comparison.

If your product or service is comparatively better than the competition, or you have a specific niche that makes your company better equipped, it is a good strategy to invite comparison. *In all of your advertising avenues stress your higher quality and push for comparison before they buy.*

Warning: Make sure your product or service really is noticeably better or this strategy will backfire quickly, with disastrous results.

- Competitive Strategy #4:

Go directly (and seriously) after your competitor’s niche market and his customer base.

However, to do this your business must be strong enough to battle head to head. Even so, only use this strategy if:

a.) Your competitor has a customer base large enough to make it worth the effort.

Step 5: Eliminate Unprofitable Services and Products

b.) You have enough resources (money) to support such a marketing clash.

c.) You have the capability to do what your competitor does effectively and profitably. It makes little sense to try to get their customers if you do not have the capability to do the job better than they do.

- Competitive strategy #5:

“Out-hustle” the competition.

All things being equal, it is the company that is more aggressive, more intense in its marketing effort, and more dynamic in its approach toward gaining customers and additional business that finishes first.

To “out-hustle” the competition, you need to get involved with business groups, actively solicit work from all sources, and basically use every marketing technique available in your arsenal and still maintain a reasonable advertising budget.

The goal here is for your competitor to see you and your influence everywhere : when he opens the paper and sees your name or a story about you in the business section, when he gets newsletters from organizations and you are in most of them, when he sees photos of your business, even when your yellow page ad is positioned better and is more effective!

This frustrates your competition and keeps most of them quiet. It also discourages new competitive businesses. If you have multiple competitors, it may embolden one or two to launch a marketing campaign of their own.

But that’s great! After all, who isn’t up for some good competition? It keeps you sharp, your business in top form, and gets those competitive juices flowing!

Your current situation may require a different strategy, or a variation of the ones presented here. The important thing is to be creative, use ingenuity, stay “above board”, but don’t be afraid to compete. *And never make excuses for it.*

IV. You Against Goliath (Competing With The “Big Box” Stores)

“It’s not the size of the dog in the fight - It’s the size of the fight in the dog” - Dwight Eisenhower, 34th President of the United States.

Nothing can stir up a small business owner more than the opening of a large discount store or a big franchise that also does what they do. The competitive threat is real, and it requires decisive action.

These large outfits are great for customers, and therein lies the key for your eventual strategy. Remember: the customer is the prime decision maker on who succeeds or fails. The big stores have great location and prices to lure customers into their places of business. They have to do this because if they don’t get a high volume of business, they can’t turn a profit. It is their “niche”, and if you try to compete on their level, you won’t stand a chance. It is also their ultimate “Achilles heel” because if they don’t get that high volume of customers, they must close their doors.

- Your mission, therefore, is to formulate a way to make your business great for customers on a level other than price and the convenience of a prime location.

They are a formidable competitor, but there is **always** a way to turn the table on them. For one thing, they have some vulnerabilities: their staff is usually not as informed about the product they sell as you are and can’t field technical questions. Their customer service may be suspect. After all, it’s one thing to be friendly to a customer, but it is another thing to be able to answer all of their questions and gear a product toward their specialized needs.

Their marketing and advertising comes from the corporate office, and they can’t adjust to quick hitting tactics, and they can’t respond if you punch them right in the nose. For example: if you ran an ad that says blatantly “We’re BETTER than they are because... and our products are better because... and our people know more because... and we’ll still be here 5 years from now to service you and help you upgrade... Will they?”

Step 5: Eliminate Unprofitable Services and Products

They probably won't be prepared to respond. If they do, all of a sudden you've gotten them to start comparing themselves to you, and that may open a whole new window of opportunity!

The point is: Don't get caught up in being cynical and intimidated. Find their vulnerabilities and go after them aggressively!

Here's a four step plan that can help you formulate a successful competitive strategy to prepare you for the competitive battle that is brewing:

1. A Serious Assessment.

List *their* customer service pluses on the left side of a piece of paper and *your* customer service pluses on the right. Be honest and as detached from emotion as possible.

Make a similar list for product selection and availability, quality, employees, advertising, product pricing, and location.

2. Start Identifying Potential Advantages

Mark their vulnerable areas from this list and identify points that show a potential advantage for your company.

Some of the advantages you may discover are:

- Ability to specialize
- Person to person business relationships
- Delivery and set up
- No hassle guarantee
- Maintenance ability
- Long term contracts
- Better level of customer service
- Product or service geared more toward the customer's exact needs.

3. Explore The Items You Can Exploit To Your Advantage.

Come up with some ideas of how you can turn them into a specific marketable “niche”.

Develop one or two items that you can make the subject of all of your marketing and advertising.

4. Come Out Swinging!

Use marketing tactics that are different, inexpensive, but effective. Here are some ideas:

- Join every professional and business group available and “voice” your marketing niche.
 - Have a business card and/or flyer posted on every bulletin board in town, whether it’s in a library, a recreational center, or a Laundromat.
 - Send a personalized letter to people you want to do business with stressing the advantages of your product.
 - Go door to door with fliers.
 - Trade with media groups to get advertising time and ad space.
- Do all of this PLUS incorporate your “niche” into your standard advertising budget and advertising avenues.

You must be energetic, and relentlessly aggressive to overcome the sheer size of your competitor. It may seem difficult, but it can be done, and you must use a combination of ingenuity and guts to accomplish the task.

On your turf, in your town, and far from their corporate office, Goliath faces you hoping that they can do what their surveys have shown they can do in other towns and in other places. Maybe they misjudged your turf. *Maybe your company will be the one that “slew Goliath”!*

Worksheet for Step 5

- ___ Evaluate each and every SERVICE to determine profitability.
- ___ Evaluate each and every PRODUCT to determine profitability.
- ___ Consider eliminating all services or products that are not making a profit.
- ___ List the services or products that make up the "core" of your business (The most profitable items).
- ___ Evaluate the services or products that you can "bundle" to provide a cost effective solution to a customer and still make a profit for your business.
- ___ Evaluate the option of using "add on" products and services to increase your profit.
- ___ Evaluate your overall pricing and compare your pricing with your competitors.
- ___ Brainstorm some creative ways that you can present your products to outperform the competition.
- ___ Establish a plan to stay competitive and to keep an eye on your competitors.

NOTES

Step 6: Become More Efficient

“Find a better, smarter, faster, and more profitable way of doing business.”

Take the time to examine how you currently do business. Efficiency is an indirect way of saving revenue, and it can also increase productivity and quality.

There may be a number of ways to increase efficiency in your company.

1. Examine the day to day operation of your business

- Manpower efficiency can bring immediate dividends. Times where workers have needless lag time should be eliminated.
- Sometimes making a change in the workflow can increase efficiency with your labor. That can work out to be considerable cost savings.
- Review all of your work systems, from the main floor to the office. There may be more ways to operate more efficiently.

CAUTION:

Do not change things that do not result in improved profitability, performance, or quality. There needs to be a good reason to make a change or else it will not be welcomed or accepted.

2. Scheduling for Efficiency

- By grouping your services together on certain days, you may be able to increase efficiency.
- Start looking at how your business flows and see if it would not be more effective and efficient to do certain tasks on certain days.

3. Technology = Increased Efficiency

- Make sure all of your computers are operating at peak efficiency
There is a lot of lag time associated with slow computers. We have all been in situations as customers where the agent or person we are dealing with has to apologize because the computer is slow, or not bringing the appropriate window up properly.

A slow computer costs you money, but often it just needs to be cleaned and the garbage files removed. There is software to do that.

- Keep your computer and computer files regularly cleaned, backed up, and optimized to keep them at peak operation.

3. Paying bills on line:

- With the cost of postage rising all the time, it is easy and cost effective to pay your bills electronically online.
Paying bills on line is secure and can save you money on stamps and envelopes. One stamp does not seem too steep, but if add up all of your mailings, it can save you a lot each month.

If you paid 50 bills a month, and you paid them online instead by through the mail, you would save over \$250 a year.

4. Going Paperless

- This was covered in Step 4 as a way to reduce Office expenses.
It is also a very efficient way to distribute reports and documentation as opposed to making copies and distributing them.

5. Efficiency can help save money in the short term AND the long term.

- Efficient ways of doing business that you use while surviving will still be efficient as you grow again. As a part of your Survival Plan, list ways to be more efficient.

Special Report for Step 6

Two Who Turned Efficiency into Millions

Here are two true to life examples of how efficiency was magnified to the point of changing the entire outlook of profitability. *These people completely changed the textbook principles of how to succeed in business and made everyone associated with them profit as well.*

I. Henry Ford

In 1908 when the first Ford Model T rolled out of the factory, it was a simple, sturdy design that could be built relatively quickly and inexpensively. It was a stroke of genius. Henry Ford believed in his dream of producing a high quality car with interchangeable parts that was affordable.

The Model T was all of that, *but this is just the beginning of the story!*

It was Ford's firm principle that "Everything can always be done better than it is currently done". In fact, he hired efficiency engineers to put this creed into action.

Until 1910 the Model T was made much like other cars were made, each one completed before going on to the next. But demand for his Model T was so overwhelming that the current methods were simply not adequate. *Ford realized that he would have to devise an entirely new system of production that was built around a new standard of efficiency.*

Step 6: Become More Efficient

Ford drove efficiency ever higher, and in 1914 introduced the moving assembly line. His moving assembly line consisted of a series of automobile chassis that rolled on a chain driven conveyor and went from work station to work station, from the beginning of production to the end when the finished cars would roll out of the door.. The workers would install their assigned parts as the chassis moved on and another took its place. The assembly line also included conveyers which would supply the parts to the workers, all perfectly timed, so that the best efficiency possible would be reached.

This breakthrough revolutionized the entire industrialized world. *With 13,000 workers, his factory matched the output of the rest of the entire automobile industry which employed over 66,000 workers!*

The combination of high efficiency, a high quality product, and an affordable price tag made Henry Ford and his investors millionaires many times over. He turned an obsession with efficiency into a billion dollar company.

2.) Ray Kroc

Ray Kroc converted a small, and somewhat efficient McDonald's operation into a billion dollar franchise empire by taking efficiency to unheard of levels and revolutionizing the "fast food" industry.

Like Henry Ford, he reasoned that the demand for a consistently high quality product, priced properly, would be so huge that it could only be accomplished by incorporating new standards of efficiency.

Unlike Ford, who could produce his product in one factory, Kroc had to develop a way for his product to be made in hundreds of restaurants and still maintain exacting quality standards.

Kroc took every aspect of the business and created efficiency procedures to follow. The meat would arrive in patties that weighed a specific weight, so that all the cook had to do was throw it on the grill. The hamburgers would be created to such exacting standards that a hamburger bought in Florida would taste the same as one bought in California.

Then he created an “assembly line” in his restaurants, where different staff members would be responsible for different steps along the way, so that the whole procedure from taking the order, to cooking the food, to placing them into wrappers and containers, to finally being given to the customer, was done with phenomenal speed to keep up with the demand.

Among the findings that made his restaurants successful was the discovery that when the customer was given a hamburger of consistently high quality and was given it quickly, the customer would return to his restaurant again, and again, and again, to get the same high quality service and product. This went on to the point that no matter how much he increased production, he continued to sell more and more hamburgers!

Like Henry Ford, Ray Kroc took an obsession with efficiency and created a billion dollar industry.

Certainly, you can find a way to get some benefit out of increased efficiency in your company!

Worksheet for Step 6

- ___ Examine your day to day operation
- ___ Eliminate lag time of labor and manpower
- ___ List ways that tasks can be done more efficiently
- ___ Look at the services you do and see if certain tasks can be better accomplished on certain days.
- ___ Check all of your computers and equipment and see if they need tuning up.
- ___ Examine going paperless and incorporate what works for you.
- ___ As part of your overall Survival Plan, develop a list of changes that that you will incorporate and when you intend to put them into effect.

NOTES

Part IV

Financial Oversight

"Setting financial standards and goals will help to keep your company stable and on level ground."

Step 7: Establish a New 'Draft' Budget

“It is time to revise your spending habits”

Surprisingly enough, some businesses do not oversee their budget or review expenses on a monthly basis. When times are good, bills are paid and there is a profit, the tendency is to not be concerned. It is human nature. However, the chances are that many expenses have gotten out of control and need to be reigned in.

Even if you have kept a watchful eye on the budget, current economic conditions have had an effect. Sooner or later a tightening of the belt had to take place. That time is now.

In this step, you will be putting together a ‘draft’ budget based upon the findings you have made so far.

This budget will not be set in stone because there are still a few items to consider. It will be finalized in Step 10.

1. Use a columnar pad available from any office supply store to flesh out your budget.
 - 1). This columnar pad is going to be your budget worksheet so mark it up, make notes on it, divide it up in any way that works for you.
 - 2.) You may want to list separate pages for different items or for different expense categories as you make your budget changes.

3.) Make sure that you have a line item for each and every expense.

2. If you are experienced in Excel, or another spreadsheet software, or if you have accounting software that provides a spreadsheet for business expenses, you are ahead of the game.

You can adjust expenses to see how it will effect the bottom line. This is essential as you research the extent of your budget modifications.

3. Using all of the discoveries that you have made in the preceding 6 steps, create a new 'Draft' budget based upon the most current sales figures and the cost savings that you have found.

- This is called a 'Draft' budget because you will be making final changes in Step 10 to finalize your budget.

4. Notes on establishing your New Budget:

- Establishing a new budget to survive is the best excuse possible to clean up your expenses.

It should be done impartially and effectively and can have an immediate impact on the profit and loss for your business.

- Establish a budget that you will stick to.
- Expand out your figures from monthly to quarterly to annually.

You may be surprised as to what the annual budget can look like after a dedicated effort to cut expenses.

5. This Draft Budget is going to take some time to do, but it is the most important part of your Survival Plan.

- Do not cut corners on this step.

Step 8: Financial Options and Accountability

Take the time to fully document and flesh out all the costs and opportunities to trim and cut expenses.

6. **DO NOT FINALIZE** your budget at this time because we have not yet covered advertising and marketing (Step 9).

- Advertising and marketing will be line items on your budget.
- Hopefully, there will be enough saved that your advertising and marketing budget will stay well funded.

If not, **NOW** is the time to know about it so you can create a new marketing program at Step 9.

7. As you insert your findings from the first steps, a clear plan should be emerging, and you should be documenting everything as you go.

8. When we get to Step 10, we will wrap everything together in a final Plan.

- Ironically, this is the shortest section in the Survival Plan guide, but it is clearly a time consuming task. Creating your new draft budget will take research, time and concentration.

However, your work will have its just rewards. You should see a significant difference as your budget is developed.

Worksheet for Step 7

- ___ Have all the documentation and notes from the first 6 steps readily available to create your 'Draft' Budget.
- ___ Purchase a columnar pad from the office supply store if you do not have one handy. Have one that will allow monthly expenses to be expanded out and show what it will look like quarterly and yearly (12 columns).
- ___ This is going to take time, but having a realistic budget is the most important part of your Survival Plan.
- ___ List every expense you have as a separate line item.
- ___ Use the Draft Budget to 'experiment with different expense figures', to evaluate potential cost cutting.
- ___ Do Not Finalize your budget until we get to Step 10.

NOTES

Step 8: Financial Options and Accountability

“During tough times, money is the best thing to micro-manage.”

In this step, we will be covering some financial options for your business, and then some accounting measures that will help to keep your business on track as you incorporate your Survival Plan.

1. You may need additional Capital to get you through the hard times.

- Sometimes, an influx of capital is needed to get you through the hard times.

This may be in the form of a bank loan or some other financing.

Therefore, it is important that YOU know that by following the steps in this book, you can turn your business around to become profitable again.

- *Do not borrow money unless you have a plan that changes the way you do business.*

After all, if you just throw more money at a process that is losing money, all you will do is lose more money!

Often, the lender needs to see that you have a plan for re-establishing the profitability of your business.

This Survival Plan will see to it that you DO make the necessary changes and have them documented.

2. In Step 2, we talked about consolidating debt on what you owe.

- It is worth revisiting, because consolidating may result in a smaller monthly expense.

3. Know the current balances in all of your accounts.

- You should know what the balances are in all of your accounts. If you have a line of credit, know what is available.
- All of your accounts including credit cards have a ceiling. Know what that ceiling is.
- On any loan accounts, know how much you still owe.

4. Using Credit Cards

- It is common to consider credit cards in a negative way, especially when you consider the rates that they charge. The reason is because, as you know, they can easily get out of hand.
- However, credit cards can be a very effective tool for a business to use if you keep them under control and use them properly. In fact, they should be available for any business to use.
- Do not be afraid to use credit cards, just make sure that you use them properly.

5. Controlling what your Customers owe:

- Just because you have extended someone credit doesn't give them the right not to pay you on time.

In fact, unless you have made a specific 30 day agreement with a customer there is no reason why you should have to wait 30 days (or longer) for payment. **They should still pay promptly.**

Step 8: Financial Options and Accountability

- Here are a number of steps to get control over your account receivable:
 - a.) Every Monday call each and every account receivable.
Ask to talk to the person responsible for the account payable and ask when you can expect payment. Keep a record of the answer given. If they give you a specific day or date, *follow up on that date to make sure that a check was issued*.
 - b.) Verify that the invoice is in the proper hands for payment. Sometimes, the company's accountant doesn't get the invoice or there is something missing on it like a purchase order number. If you wait to call until it is past due you may find that there is a problem which could have been corrected with a call in the beginning.
 - If they say they do not have the invoice, you can fax it to them.
 - Don't forget to ask when you can expect payment.
 - c.) If the customer is not on an agreed-to 30 day account ask for payment when you call on Monday. Don't be rude about it, but let them know that prompt payment would be appreciated.
 - d.) If there is a problem with getting a prompt payment, give them the option of putting it on their credit card right there over the phone (a good reason for being set up to accept credit cards if you are not already).
 - If they are already delinquent on their payment, definitely push for a credit card resolution.
 - e.) *Assign someone in your company to be the account receivable "watch-dog"*.
Make it this person's responsibility to track, follow up on, and keep to a minimum account receivable.

5. Setting Policies for Prompt Payment

- By initiating standards and procedures for collecting on your account receivable you can methodically maintain control over it. Your account receivable can get out of control over time. It is important that you keep on top of it.
 - 1.) Have a credit application form filled out before you authorize credit to an individual or company. A standard form available at the local office supply store is adequate.
 - 2.) Keep all credit application forms updated. If you have accounts that have never filled one out, request that they do so. Tell them it is for updating your records. Remember, this can all be accomplished over the fax machine or via e-mail if it is more convenient.
 - 3.) Keep the application forms in a private file. Much of the information is sensitive to the companies that have provided it.
 - 4.) The benefits of having a credit application form are:
 - a.) It allows you to adequately review the applicant before putting them on account. This includes checking the references they list on the form.
 - b.) It provides the necessary information and point of contacts to call to insure payment.
 - c.) If payment is overdue and not forthcoming it provides addresses, accounts etc., all of which can be transferred over to a collection agency if necessary.
 - 5.) Note: Accounts don't have to be thirty days! It can be two days, ten days, fifteen days, or whatever you want it to be depending on the applicant.

Step 8: Financial Options and Accountability

You may wish to authorize a short account until the customer proves his ability to pay, and then extend it to a longer term. It is not recommended that you authorize one longer than 30 days!

- 6.) On all invoices have the statement “Payment due upon receipt of this invoice.” This may induce even those on longer accounts to put the invoice in their “prompt payment” stack.

Just because they have a thirty day account, for example, doesn't mean that they can't pay sooner.

- 7.) You may wish to add an incentive for early payment, such as a 2% discount if payment is made within ten days. This gives them a financial reason to pay early.

Many companies use this with varying success. We have found that many companies (usually the bigger corporations) take longer than 30 days to pay and ***still have the audacity to take the 2% discount.***

You may wish to try this out for yourself before setting this policy in stone.

- 8.) Keep in mind that often the “late payers” are the bigger corporations. Most of them pay promptly and on time, but some of them will try to maximize as much time as possible before paying you. Sometimes it is legitimately unavoidable because the invoice was misplaced or you missed a step in the billing process. That is all the more reason to keep on them early to assure payment.

Once you have established a point of contact, you can usually call that person directly if there is a payment problem.

- 9.) Immediately after the transaction, send a follow-up copy of the open invoice to the company's accounting department.

- 10.) Call all account receivables every Monday to verify:
 - a.) that they have received the invoice.
 - b.) that it is in the proper stack for payment.
 - c.) when you can expect payment.
- 11.) Keep all open invoices filed neatly for easy access, and separate sections for overdue invoices:
 - one section labeled 30-60 days
 - one section labeled 60-90days
 - one section labeled “ready for collections”
- 12.) When the time to expect payment arrives and there is no check, call promptly to see if there is a problem.
- 13.) If payment has not been made on time, send another copy of the overdue invoice with a rubber stamped impression which says: “This invoice is now overdue and payable”.
- 14.) During your Monday calls, make sure that they received the overdue notice.
- 15.) If still no payment is made within a reasonable amount of time, send another copy with a rubber stamped impression which says: “If payment is not made within ten days this account will be transferred to a collection agency and an additional \$50 late payment charge will be applied”.
- 16.) Call to verify receipt, and if payment still is not made, transfer it over to a collection agency.
- 17.) With each invoice, maintain notes on each step you have made and who you talked to at the residence or company.

Worksheet for Step 8

- ___ Look at the possibility of securing a loan or additional capital to get you through the hard times.
- ___ Know the current and available balances on all of your accounts. List them.
- ___ List your Credit card accounts. Also look at the possibility of obtaining cards for specific needs, such as a gas card for vehicle expenses.
- ___ Take a very close look at what your customers owe.
- ___ As part of your Survival Plan, incorporate measures to secure payment of all of your account receivables.
- ___ Assign someone to ‘bird dog’ account receivables to get prompt payment
- ___ Set procedures in place that will limit future account receivables and to make sure that customers pay promptly and on time.

NOTES

Part V Leadership

"Set the course, make the decisions, and take action."

Step 9: Retarget your Marketing and Advertising

“When the target shifts, get a new set of darts!”

If you are facing tough economic times, your marketing effort **MUST** be re-examined. It is an essential part of your Survival Plan. In this step you will be creating a new Marketing and Advertising budget.

This is also the time for you to use more types of advertising that does not cost as much. This can include press releases, networking, etc.

- **NOTE:** we did not say 'eliminate advertising'. We are talking about 'refocusing ' your advertising and marketing. Yes, it may require trimming, but by focusing on what works, and by using low-cost marketing methods, you can cut costs **AND** have effective marketing.

I. Analyze what you currently spend on marketing and advertising, and make proposed changes:

1. What works and what doesn't as far as advertising?

- It is time to review each expense that you currently make for marketing and advertising your business.
- No doubt some methods work better than others. Now is the time to readdress them all and focus on what works, while eliminating what doesn't.

2. On the columnar pad that you used in Step 7, list on a separate page ALL of your marketing expenses:

a.) List all types of advertising as a separate line item.

This includes:

- Yellow Pages
- Radio
- Television
- Newspaper
- Internet Advertising
- Mailers and Direct Mailing
- any other advertising

b.) List under Marketing:

- Business Cards
- Signs
- Public Relations
- Sponsorships
- Special Events
- Any other marketing

3. Next to each line item, list across the columnar pad what you currently spend per month, quarterly, and per year for each item.

4. Carefully assess each line item.

a.) Make a mark next to each one that works.

Those are the items you are going to keep in your Survival Plan.

b.) Make a note by those items which you want keep that you wish to trim funding for.

c.) Scratch off those that you feel are ineffective.

Those are the ones which you will eliminate. Under the current economic situation, it makes little sense to keep advertising and marketing that do not give you the most value.

Step 9: Retarget your Marketing and Advertising

5. On a new columnar page, start putting together your new marketing and Advertising Budget.

1.) Keep it as a 'Draft' Budget until the end of this step.

2.) We are going to review some marketing options which may cause you to change some figures .

II. Effective, low cost ways to increase your Customer Base:

- 8 Ways To Increase your Customer Base:

1.) Examine your customer lists and determine what specific categories your best customers fit into. Are they business owners, retirees, men, women, high income, low income, etc.?

Once you have determined your “Optimum Customer Categories”, target those specific markets, and go after customers that fit the description of the optimum customer.

2.) Use your current memberships of organizations and professional groups, like the Chamber Of Commerce, where you can expand the visibility of your company and meet a lot of potential customers. Take advantage of ALL opportunities to network your business.

3.) Maintain a high reputation for quality and customer service. Word of mouth is the best method for increasing your base of steady customers.

4.) Target specific people or businesses. Make a list of ten customers you don't now have that you would like to do business with, and go after them! Write a letter to them, call them, bring by samples, leave brochures, and keep after them!

As soon as you make one your customer, add another potential to your list so that you are continually prospecting. By methodically adding new customers you will begin to build a sizable customer base.

- 5.) Get out of the office and start meeting potential customers. Drum up some new business. Being chained to the office is not good for anyone. Get some fresh air and go door to door for a while.
- 6.) Develop a systematic direct mail campaign or some other cost effective form of advertising that fits your business.. Mail a specific number of letters, brochures and other information every week like clockwork. It doesn't have to be many. We are looking for long term consistency here.
- 7.) Send a thank you card or an e-mail to every satisfied customer and ask them to refer you to their colleagues and friends who might wish to use your service or buy your product. This promotes excellent word of mouth advertising.
- 8.) Concentrate on marketing methods that are effective but not expensive. Try to be unique in your approach.

One of the dynamics about being an entrepreneur is that new ground is being broken every day by business owners who dare to be different in their marketing methods.

III. Marketing the NEW way you are doing business:

- Start developing ways to advertise your "core" services and products, as discussed in Step 5.
- Develop ways to advertise any "Bundling" options.

Step 9: Retarget your Marketing and Advertising

- When incorporating "Add On" Products or Services, remember that "Add Ons" are usually not advertised. They are offered at the time of sale.

1.) A Great example of an "Add On" at work:

- Calling a 800 number to purchase a TV offer.
- They will often offer you additional options at great prices.
- More often than not, you will have bought more than just the item advertised.

3.) Another Great example of an "Add On":

- Service agreements they offer when you buy equipment or appliances at big chain stores. This brings in significant added revenue to the store.

1. Suggestions for Increasing Sales:

- a.) Use banners and signs to attract attention to your business.
- b.) Send literature to your existing customers announcing improvements and new products.
- c.) Start an e-mail newsletter to your customers giving advice and notifying them of sales and specials.
- d.) Offer a package price if the customer orders a series of products that go together.
- e.) Make sure that your company vehicles have signs, and when working on site, post a sign that can be easily taken up and down.
- f.) Offer a guaranteed low price in return for a contract or long term commitment from the customer.
- g.) Follow up promptly on all price quotes and bids. Go out and see the customer personally to cinch the deal.

h.) Treat your customers well and provide a high quality product, and let word of mouth advertising help your business to grow.

2. As the owner, CEO, or top manager, YOU are the best salesperson for your business!

- You are your company's best salesperson because:
 - a.) People naturally refer to you as your company's expert.
 - b.) You are also the person everyone considers the "decision maker".
 - c.) No one has a greater stake in your success, and therefore no one will try as hard as you or treat your better customers as well as you.
 - d.) You know your company's capabilities better than anyone does.
 - e.) You are totally committed to your product or service.
 - f.) You believe in yourself and your company.
- As a part of advertising and marketing your business, consider expanding your own role.

You will be amazed at the dramatic effect on your sales when you put on a suit and tie and start representing your business!

- a.) Look your best when representing your company.
- b.) Get involved with business groups and organizations.
- c.) Be committed to increasing the visibility of yourself and your business.

Special Mid-Step Report for Step 9

A Practical Marketing Worksheet

The following list is comprised of questions designed to help you focus on what your business does best and how you can better serve your primary customer base. By the time you have answered these questions, you will have some clear guidelines to develop an updated and more precise marketing and advertising plan.

___ 1.) How would you describe your primary product or service?

___ 2.) How would you describe your primary type of customer?

If there is more than one type, list them all. (Customer types can be people, types of businesses, etc.)

___ 3.) Which one of your primary customer types represents your BEST customer type?

(Your best customer as determined by sales and profit.)

___ 4.) Are there a lot of potential customers that are not yet your customers that match the description of your BEST customer type? _____

___ 5.) If YES, why aren't they using your product or service?

___ 6.) If you were to gear your business toward only your BEST potential customers, could you be successful without catering to other customers as well?

___ 7.) How can you attract more customers that meet the criteria of your BEST customer?

How do you currently get the ones you have?

Can you somehow expand the same techniques you used to get them in as customers?

___ 8.) Of the customers who are NOT your best customers:

a.) Would it hurt your company's net profit if you did not advertise to them or cater to them at all?

b.) Do they make any money at all for your firm?

c.) If you were to decide not to cater to them, what products or services could you drop that are not profitable?

___ 9.) Why would a potential customer do business with YOU as opposed to a competitor ?

Step 9: Retarget your Marketing and Advertising

___ 10.) How do most customers hear about your Company?

- ___ Yellow pages
- ___ Radio advertising
- ___ Television advertising
- ___ Internet
- ___ Newspaper or magazine advertising
- ___ Direct mail
- ___ Brochures
- ___ Word of mouth
- ___ Outside sales
- ___ Other

___ 11.) If a potential customer were looking for your product or service, would your company be the first to come to mind as opposed to your competitors?

For example, if they were to look in the yellow pages are you one of the three most prominent ads? Or are you buried in with the others?

___ 12.) Why do your customers buy from you and not the competition?

___ 13.) How can you capitalize on that aspect to get more customers?

___ 14.) Which methods of advertising work best for your business?

___ 15.) What types of advertising don't seem to work, and which ones have you determined to just stay away from altogether?

___ 16.) If you were to describe the business your company does to a total stranger in 15 - 30 seconds, what would you say?

Work on this and come up with an exceptional presentation.

___ 17.) What three things could you tell a *potential* customer about you and your company that would convince them to do business with you?

1. _____
2. _____
3. _____

___ 18.) What three things could you tell a customer that would convince them to come back and be a repeat customer (without offering a discount)?

1. _____
2. _____
3. _____

___ 19.) Have you set a sales goal for you and your company?

___ 20.) What sets you apart from the competition, and how do you stack up in a direct comparison?

What product or service do you do better ?

Back to Step 9:

IV. Focusing Your Marketing Strategy

As a business owner or manager with a limited budget, it is very cost effective to “Focus Your Marketing Strategy” as opposed to being too creative or experimenting in avenues which may or may not work. This can be very expensive and waste a lot of time. Be aware that for every expensive marketing campaign that works, there is one that doesn't.

- By focusing your strategy you greatly increase your chance of success.
 - 1.) Identify your customer base.

Make sure that you are clear on who your primary customers are.
 - 2.) Focus Geographically:
 - Where are your customers?
 - Are they local?
 - Do they physically enter your store, or are they reached by mail, phone, or Internet?
 - 3.) Once you have determined WHO your customers are and WHERE they are:
 - a.) Determine your exact product line or service to hit those specific customers.
 - b.) Evaluate the best combination of promotional methods to reach these key customers (yellow pages, direct mail, personal salesmanship, etc.). These methods can be very diverse, but they should all be cost effective and budgeted.
 - 4.) Maintain accurate records on marketing performance.
 - a.) Always check your advertising budget against results.

- b.) Identify seasonal trends and other events that your sales are linked to. This accumulation of information becomes invaluable the longer you are in business.
- 5.) Remember, the success of your company is based on a combination of getting new customers and keeping the old ones.
- a.) When making marketing decisions, always base them on what you can do to improve customer service and what you can offer to fulfill the customer's needs.

V. “Mining” Your Customer Base

1. The premise of this section is the theory that 80% of your sales come from 20% of your customers.
2. It is more cost effective to keep a customer than to find a new one.
 - Create filing cards on your top customers or keep a comprehensive customer contact list on your computer.

List them by name, company, phone number, fax number , e-mail address, and mailing address. Store them in a separate filing box.
 - Set aside an hour each week to go through your cards or computer contact list and start call as many as you can in your designated period of time.
 - Simply touch bases with the person, let them know about any new service you may be offering, but more importantly to briefly let them know that you are there if they ever need a price quote on your product or service, and that they can call anytime.

Step 9: Retarget your Marketing and Advertising

- Periodically, fax over or e-mail any specials or new product information that you feel your customer would be interested in. Be sure to include a note or comment from you.
- On each customer's card or contact list, make a special note of occasions such as birthdays, anniversaries, special events, etc. Then surprise them occasionally with a card or an e-mail for the appropriate occasion.
- After each important sale, follow up with a thank you card or an e-mail. Also, make a note of it on their file card so that you can use it as an excuse to touch bases with them later, to see how the product has held up or if they are due for a particular service.
- Do not approach your customers as a salesperson, but rather as an acquaintance or friend. Do not pressure anyone to make a sale!
- This system works because:
 - You display an interest in them for reasons other than to make money off of them.
 - The longer they do business with you the less chance a competitor has to take them away from you.
 - You customers will buy more from you because they feel very comfortable doing so.
 - Your customers will readily recommend your product or service to others (excellent word of mouth).

A WORD OF CAUTION: Your customers are very astute at determining your motives. If all you are trying to do is make a sale, they will read through it, no matter how many cards you send. Your true frame of mind should be one that has a genuine interest in your customers. Be the "real deal" to them, and they will take good care of you.

VI. A Concise Marketing Plan

1. Marketing is much larger in scope than advertising.

Advertising is only one important part of your Marketing effort. Marketing includes: how you present your product or service, how your organization is viewed by the customer, your location, even your business cards and informational brochures are a part of your marketing effort.

- *Marketing is every part of your business that helps a customer form an opinion about your company and what it does.*
- A short, to the point Marketing Plan is valuable in establishing your company's position in the market place.

Whether you offer a product, a service, or both, a “Concise Marketing Plan” will keep you focused n your business goals and prevent you from drifting in some unproductive direction.

- There is no need to go “overboard” and do expensive research and testing, and hold laborious strategy sessions.
Rather, a common sense approach is always preferred.

2. Here are the steps required to create a simple, strong, practical Marketing Plan:

I. ANALYZE YOUR CURRENT SITUATION

- 1.) After discussing in detail your customer base in the last few sections, you should now be able to describe in one or two sentences WHO YOUR CUSTOMERS ARE.
- 2.) Describe your company's *Emphasis* in promoting your product (for example: Quality, Customer service, Price, Brand name, or other). What is your “niche”? What is the hook that best describes what your company does for its customers?
- 3.) Make a brief assessment of where you are in the market place as compared to your competition.

Step 9: Retarget your Marketing and Advertising

- a.) If you were to list your company alongside your competitors and number them starting with the number one where would you stand in regard to:
 - Market size?
 - Quality ?
 - Customer service
 - Price
 - Potential growth
 - Technology in your industry
 - Location
- b.) Briefly describe what things YOU do better?
- c.) What things do They do better?
- d.) What things can you improve on to raise your current level?
- e.) If I were a potential customer, why should I do business with you instead of your competitor?
- f.) What can you do to make it easier for a potential customer to do business with you?

VII. Advertising

- 1.) Rate your advertising by priority. Does your intended spending match your advertising & marketing priorities?
- 2) Keep a close eye on the advertising at all times.
- 3.) Know where your marketing limit is so that you can turn down advertising schemes that don't fit into your budget.

VIII. Develop a Marketing "Plan of Attack" as part of your Survival Plan:

- Using all of the information available to you and your knowledge of your market, competition, pricing, advertising, and sales tactics, develop your own "Plan of Attack" to boost your business to a new level of sales and profit.

- 1.) Make the list in order of priority and difficulty, and immediately incorporate the easy steps first and build to the more difficult ones.
- 2.) Include a timetable for putting each point into action.
- 3.) List what important step is required to bring each item into action.
- 5.) Put your plan into action aggressively and enthusiastically.
- 6.) Review your plan on a regular basis because you need to maintain an element of flexibility.

One of the great advantages of a small business over larger ones is the ability to adapt quickly, to see an opportunity and “go for it”, or to see that something isn’t working and make immediate changes. Larger businesses cannot do this, which gives you a major edge, so use this important fact to your own strategic advantage.

IX. A Concise Advertising Plan

- By writing an advertising plan you are committing to a budget and a specific advertising direction.
It also gives you the necessary information to track your progress and compare what works to what doesn’t.
- Develop a form by using a columnar pad where you can list your monthly advertising avenues and costs.
This will help you to focus your strategy and budget for each particular month. Then compile it on a yearly form. It is important that you follow up and write in the actual amount spent next to the budgeted ones . Over a period of time you will improve this process to a highly efficient level.

Step 9: Retarget your Marketing and Advertising

1. Determine what Forms of Advertising you will use:

On the form you created, list the forms of advertising you will be involved with during that particular month.

As you start filling in spaces, fill in each month for the entire year so that you will have , in effect, a complete budget for the year.

As you fill in the months, insert coming events such as trade shows or other factors which require changes in money budgeted for a particular month. Don't forget to include committed expenses such as payments for your yellow page ad, etc.

2. Determine the Size of your Advertising Budget:

- There are three major ways of determining your advertising budget, and there are circumstances where you may wish to incorporate all three:
 - 1.) A set amount. This is where you commit to a specific amount of money and all advertising must come from, and be limited to, that monthly amount.
 - 2.) A percentage of sales from the previous month. This is where you commit to using a percentage of sales which may be large if you had a good month, or small if you had a bad month, and use this percentage as your advertising budget for the following month.
 - 3.) A percentage of predicted sales for the coming month or period. For example, if most of your sales come in December, you would use a percentage of your predicted sales to budget for an advertising push either just before, or during, December.

3. Preparing Your advertising Budget

- Carefully consider each aspect of your advertising strategy and how much you intend to spend or are committed to spend.
- Complete the entire process for each month and extend it to a yearly plan. Refer to it at least every month as you confirm your plan of attack for the coming month, and at the same time review the accuracy of your previous month's figures.
- Keep to your budget! You will be approached a hundred or more times during the year by people who want you to advertise in one form or another. It is easier for them to convince you to go off on some advertising tangent if you do not know exactly where you stand in your advertising program. **Your response should simply be that it "is not in the budget at this time".**

On the other hand, if DO you see a legitimate opportunity, you can budget for it so that it keeps your expenses well under control.

XIV. Incorporate your Marketing and advertising figures into your Draft Budget in your overall Survival Plan.

- By now you should have a Draft Budget, a Marketing and Advertising Plan, an "Action List" for cutting expenses, a knowledge of all your debts, a knowledge of your options for borrowing money, a plan to increase efficiency, a review of what makes a profit in your company and what doesn't, a plan to maximize what DOES make a profit, a plan to "repackage" what you offer, and timetable to change the way you do business.
- The final step will be to finalize your Survival Plan, and set some procedures to regularly review it and re-assess it.

Special Report for Step 9

Effective Customer Surveys

Here are two quick and easy surveys that you can use with your customers and potential customers that will help immeasurably in your marketing program and provide information that is invaluable to your company.

- **Survey Method #1:**

On every price quote form and on every work order pose the following question:

How did you hear about us?

- Internet
- Yellow Pages
- TV
- Radio
- Newspaper
- Repeat customer
- Referral
- Other

Comment: _____

Every time someone calls for a price quote, every time someone comes into your store, every time someone orders something or buys anything, ask them the same question: “How did you hear about us?”

- In a short period of time you will have compiled information that tells you:
 - a.) How effective your advertising is.
 - b.) Why customers are calling you instead of your competitors.
 - c.) If word of mouth advertising is working for you.
 - d.) How many of your customers are repeat customers as opposed to new ones.

- **Survey Method #2:**

After every major sale, contact the customer and ask them a simple, straight forward question:

“Were you satisfied with the product performance and service provided by your company?”

- a.) Some customers will be flattered that you even care enough to ask them, because it does not often happen. They will often reward you by giving you a straight answer.
 - b.) Good or bad, this answer will provide you with information that you would have otherwise never known. For example, if your product doesn't quite measure up, your customer probably won't call you unless it is really bad. Instead, they will simply stop doing business with you.
- These surveys provide a perfect opportunity to find out the truth about your company and your product or service from the perspective of your customer!

Worksheet for Step 9

- ___ Review your current Marketing and Advertising
- ___ Eliminate expenses for ineffective advertising
- ___ Cut Costs where practical and beneficial
- ___ Revisit and readdress you marketing and advertising program based upon your current financial situation and what is occurring in the marketplace.
- ___ Examine and incorporate cost effective methods of marketing and advertising.
- ___ Develop a concise marketing plan and budget for it
- ___ Develop a concise Advertising plan and budget for it.
- ___ Finalize your Marketing and Advertising budget.
- ___ Regardless of the marketplace, always incorporate efficient ways to improve customer service and quality.

NOTES

Step 10: Stick to the Plan & Regularly Re-Assess

“Always use consistency and determination, mixed in with occasional flexibility”

I. Finalizing your Survival Plan

1. Finalize your budget:
 - a.) Use the new figures to finalize your new budget
 - b.) Review and finalize Non-Essential Expenses (Step 3)
 - c.) Review Fixed and Operational Expenses (Step 4)
 - d.) Review and finalize Advertising and Marketing expenditures (Step 9)
2. Determine what financial capital will need to be secured, how much it will be, and when you will need it by. (Step 8)
3. Create a Timetable for putting the Survival Plan into effect:
 - a.) Decide what needs to be accomplished first and when.
 - b.) Establish what additional stages of the plan will be put into effect and when.
4. Manpower Considerations:
 - a.) Determine your manpower requirements (Step 4)

Step 10: Stick to the Plan and Regularly Re-Assess

- b.) If manpower requires adjusting, decide when the changes will be put into effect.

5. Action Lists:

- a.) Begin notification to eliminate the Non-essential items on the 'Action List' from Step 3.
- b.) Begin Notification to eliminate, reduce, or renegotiate the Fixed and Operational items on the 'Action List' from Step 4.

6. Firm up your plan to eliminate or redesign or adjust the Services your company provides (Step 5):

- a.) Create a timetable for when the Service changes will go into effect.

7. Firm up your plan to eliminate or repackage or adjust the Products that your company offers. (Step 5)

- a.) Create a timetable for when the Product changes will go into effect.

8. Finalize efficiency plans. (Step 6)

9. Establish a Marketing and Advertising Plan (Step 9):

- a.) Finalize allotted expenditures
- b.) Establish your new Marketing and Advertising Strategy.

Note: It is acceptable to hash out details of advertising and marketing at a future meeting. The important thing is agreeing on a budget and a direction.

10. Make Assignments:

- a.) Decide WHO is going to do WHAT aspect of the Survival Plan.
- b.) Assign 'Action Lists'
- c.) Make sure everyone is on the same page as far as when portions of the plan goes into effect.

II. Access and Security

- 1. Keep your Survival Plan organized in a binder or appropriate files that are easy to access for those with a need to know.
 - a.) All of this work needs to be placed in a format that can be referred to time and again.
 - b.) ***Keep the information secured from people who do NOT have a need to know.***

III. Revealing the Plan to the Company

- 1. Revealing your plan to the Company.
 - a.) The Survival Plan is a very positive thing for the company and needs to be presented that way. Not only will it prevent uninformed and rash decisions, it could ultimately save jobs.
 - b.) Determine when and how the plan will be told to people in the company.
 - c.) You must be up front with everyone, but at the same time there is no need to reveal contingencies that are planned for that may never have to happen.

Step 10: Stick to the Plan and Regularly Re-Assess

- d.) Use discretion when going over changes with your staff and employees.
- e.) Welcome questions! You have gone through a planning process and can be confident in explaining the reasons for any changes.
- f.) Show strong leadership.

IV. Stick to the Plan, *Except...*

Why make a plan if you are not going to stick with it?

Like anything that requires a change in habit, especially in spending, you will come up against difficult times when the urge is there to spend when you shouldn't. Stay within your budget.

Except... Of course, there are Always exceptions to the rule. However, these need to be far between.

- Here is an example where it might make sense:
Let's say that radio advertising is the most effective form of advertising and you are maxed out in your budget for it. The advertising representative presents a way for you to double your advertising time at a fraction of the cost. This may well be worth it. The revenue you will recover through added business would more than make up for the added expense.
- When in doubt, stick to your budget. If there is a legitimate reason to go over budget, do so rarely, and only after being convinced that it will expand your profitability.

V. Revisit your Survival Plan on a regular basis.

How well you do depends upon constantly revisiting your budget and Survival Plan on a regular basis.

During tough times, anything can happen. You could have an influx of sales one day, and a drought the next. It can be like throwing darts at a dartboard, you need to readjust after each throw to get closer to your target.

The only way to keep on top is to regularly review what is going on within the company.

Set aside time at the beginning of each month, immediately after the previous month's figures are finalized, to review your Survival Plan. Then make any adjustments that are appropriate to make.

- Keep a close eye on ALL of your expenses. Review the financials monthly.
- Develop an 'eye' for anything that doesn't look right, either on the financials or at the operational level.
- **TRUST YOUR INSTINCTS:**
If something does not seem right, it probably isn't.

Worksheet for Step 10

- ___ Finalize your Survival Plan budget
- ___ Secure Capital if necessary
- ___ Determine a Timetable for the putting the plan into effect
- ___ Decide on Manpower requirements
- ___ Finalize Adjust of Services your company provides
- ___ Finalize adjustment of Products your business offers.
- ___ Finalize Efficiency Plans
- ___ Establish your Marketing and Advertising Plan
- ___ Assign 'Action List's and portions of the Survival Plan as required.
- ___ Document your plan. Keep it in a binder or series of folders, so that you can re-evaluate it later.
- ___ SECURE the plan from people who do not have a 'need to know'.
- ___ Decide how you are going to present the plan to staff and the company.
- ___ Stick to the plan, and be only grudgingly flexible when necessary

NOTES

“Be prepared, and remember:
Any business can be a
successful business when
everything goes right. It’s
how your company handles
adversity that determines
how good you are... and how
long you’ll survive”

-Dave Cross