



Twelve Business Strategies to Survive and Thrive in a Challenging Economy

Today, small independent businesses are facing the most difficult economic climate in many decades. Fortunately, innovative entrepreneurs have the ability not only to grow business, but to help strengthen the local economy.

Our leaders and the media tell us that our economy is in the middle of an unprecedented collapse that may lead to a depression even more devastating than the Great Depression of the 1930's. The basic assumption in all of these news reports is that there is little we can do to prevent our businesses, and indeed our economy, from going bankrupt.

It is true that our global economy is experiencing a major crisis and that Main Street and local businesses will find doing business much more difficult. However, within these extreme challenges lies the seed of a major opportunity for those of us promoting the economic model of local economies. By reframing this economic crisis in a way that offers an alternative analysis of the national economy, emphasizes the opportunities available, and presents specific strategies for business success, we can take a major step in promoting the importance of building strong local economies.

The key organizing concept for strengthening our businesses and for building strong local economies is the promotion of purchasing of products from locally-owned businesses that are produced locally and manufactured from local materials whenever possible. In this day and age we can't do all of our purchasing from local businesses, but we can choose local first when we decide how to spend our dollars. The more commerce that happens locally, from neighbor to neighbor, the more money stays in the community and the more it continues to circulate in the local economy. This is called the "multiplier effect", and it is the essential ingredient in growing a robust local economy. The multiplier effect is based on the fact that when you spend \$100 in five local transactions, it generates more than \$300 of local economic activity. When that same \$100 is spent in a similar series of transactions at non-locally owned businesses, it results in a mere \$150 in local economic activity. Do you want to grow your local economy and support local businesses? Buy local. You can more than double your impact on the local economy compared to the result of buying at non-local businesses.

In addition to "thinking local first", there are a variety of ways in which business owners can survive and even strengthen their businesses in the current recession. Read on for ideas on how to keep your business secure and prosperous in these difficult times. . .

1. Work with Locally-Owned Businesses and Leaders in Your Community to Build a Rocking Local First Campaign

The Local First campaign in Bellingham, WA did a statistically accurate survey of their local residents and discovered that an astonishing 85% of the residents knew about the Local First campaign, and 57% of those surveyed said they had changed their purchasing habits as a result of the campaign. Local First campaigns work!

There is no better time than today to take the lead in building a Local First campaign that promotes the value of purchasing from locally-owned businesses. If people in your community increase their purchasing from locally-owned businesses even 10%, that shift in spending will boost the money circulating in the local economy by millions of dollars. A recent study in San Francisco proved definitively that \$1 million spent at locally-owned businesses created twice the number of jobs than \$1 million spent at non-locally-owned businesses.

New England local business networks are operating in seventeen different communities and include 2000 local businesses. They are working together to develop new ideas about how to take Local First campaigns to the next level of influence. Consider implementing the following ideas and programs in your own local community:

- a. Take a leadership role in your Local First organization, or get one started. When local businesses get together to support one another, magic happens. Bring together local entrepreneurs and brainstorm new ideas that will send the message to your community, loud and clear.
- b. Study what's worked best for Local First campaigns around the nation and choose to adopt one or more of these successful programs, e.g. local business directories, the 10% Local Challenge, entrepreneur roundtables, green business initiatives, collaborative fundraising campaigns for a local charity, and events such as conferences, workshops, etc.
- c. Develop strategic alliances with local government agencies and large local institutions such as hospitals and colleges to increase spending at locally-owned businesses. Some local networks have held workshops to help local businesses understand procurement procedures, and increased local purchasing in the process.
- d. Host a series of workshops that instruct local entrepreneurs as to how they can effectively put these strategies into practice.

2. Organize and Motivate Your Team to Maximize Your Business Productivity and Efficiency—All Hands on Deck!

The Longfellow Clubs in Wayland, MA held a Management Team Mini-Retreat and an All-Staff Meeting to bring people together to discuss the vision, strategy, and objectives for the next 12 months. This served as a local economic education session, a pep rally, and an invitation to all staff members to join in building the business in imaginative ways.

The very first step in dealing with a business challenge is to get aligned internally and organize your staff into a team worthy of an Olympic performance. Develop a clear strategy for the next year and get everyone on the same bus, in the right seats, and going in the same direction!

- a. Develop a clear strategic plan and welcome innovative thinking. Put together a clear analysis of how your business fits into the new economic climate and develop an inspiring and practical strategic plan.
- b. Demand higher levels of performance and productivity—raise your standards.

- In this recession, small business owners can more easily motivate staff and hire employees who believe in the company and will do what it takes to get the job done. This may be the time to replace staff members who you've been putting up with for some time, because you felt "better the devil you know rather than the devil you don't." If you can't get buy-in for your vision of the business, find people who are more aligned with your mission—not raising standards now may cost you your business.
- c. Spend a day (even one day a month) poring over every line item of purchasing and payroll; make all possible effort to eliminate waste and cut down on unnecessary expenses. This tightening up of the management not only can save a company thousands of dollars, but it sets the right tone for the company culture. When expenses are cut, the savings can be gained not just for the current year, but for every year moving forward.
 - d. Look for creative and innovative ideas from your staff. So often it's the people on the front lines every day who have great ideas for how to improve the business, but they are never asked or listened to. Now is the time to benefit from the collective knowledge and wisdom of the whole team. Set up a structure where all staff members and stakeholders can contribute to the success of the company as new opportunities and challenges present themselves.
 - e. Keep in mind that even during recessions there are businesses and products that grow and expand. This will be true now and in the future, and this may be the time to take a bold and measured move to grow the business, or take advantage of an entrepreneurial opportunity.

3. Make Worst Case Contingency Plans

Business owners all over the nation are sitting down with their managers, bookkeepers, and accountants to plan a response to the various challenges, both actual and potential, of this recession. By preparing for the worst and understanding the ramifications of your choices, you can move beyond paralysis and move toward taking positive steps to grow your business.

Contingency plans should (whenever possible) not be visible from the outside, should not reduce customer service, and should consider layoffs of staff only as a last resort. Contingency plans could include:

- a. Making various cash flow projections that make it clear when cash shortages may occur, and to what degree.
- b. Setting cash aside or arranging credit in case sales drop.
- c. Cutting out marginal products and establishing scenarios for downsizing the business if revenues continue to decline.
- d. Considering a complete (or limited) hiring freeze, a freeze on all pay increases, and if the situation is truly serious, pay cuts.
- e. Working with vendors and business partners to establish better prices and terms.
- f. Bringing key staff members into this conversation so that everyone is clear on the challenges and has access to the critical numbers the business needs to attain.

4. Add Value to Your Product or Service

A local restaurant in Connecticut put together a different 'Recession Meal' each day that was priced affordably and became a big hit. A furniture company in Massachusetts talks openly and seriously about the recession and shares that they will do what they can to work with customers.

Now more than ever we need to discover innovative ways to add value to our products and meet the changing needs of our customers. When times are tough, the value of our products must improve either through lower prices, increased the value, or a combination of the two.

- a. Often the first step of large retailers during a recession is to lower prices and offer steep discounts. This strategy poses great risks for local businesses that already have small margins. However, there may be creative marketing strategies that recognize the decreased buying power of customers and are responsive to their decreased buying power and their fear of the future. Finding new ways to package and price your products in during tough economic times has proven to be a recession-beating strategy. The other option, besides discounting prices, is finding innovative ways to increase the value of the product while maintaining or increasing the price. Even during a recession, customers will make purchases if they feel they are being wise and shopping smart. When customers feel like they are getting a good deal, there's a better chance they'll make the purchase, and tell their friends where they made the purchase.
- b. Developing customer loyalty programs may move from being a nice way of thanking your best customers to being an absolute necessity. When budgets are squeezed, even some of our most loyal customers may look other places for a good deal. We need to make every effort to keep our core customers.
- c. Finding ways to introduce new customers to your product and company is definitely a challenge. However, there are opportunities here because potential customers are determined to save money and use their dollars wisely. This may be the time to institute creative introductory specials that will increase your customer base.

5. Customer Service is King and Queen—Relationships Are Everything

Cambridge Local First brought in Zing Tran, a company that specializes in working with local businesses, to run a Customer Service workshop for owners and staff members. This was highly successful and provided helpful perspectives and specific customer service practices that really made a difference.

We all know that the number one reason customers keep coming back to do business with us is the relationship they have with our staff and the customer service they receive. In normal times, it's unfortunate when a rude staff member turns away a customer, but in a difficult economic climate this bad behavior is elevated to a crime. For local businesses to survive and thrive in this economy we need to have exceptional customer service deeply imbedded into the culture of our business.

- a. Ramp up the level of your customer service staff training programs (or develop one if you don't have one).
- b. Develop a philosophy or mission that explicitly explains the values and business practices your company expects to see, every hour of every day.
- c. Hold a customer appreciation day or weekend to focus attention on your customers and advertise the fact that you consider pleasing the customer to be the company's top priority.

6. Ramp Up Sales and Marketing—Don't Cut Off Your Nose to Spite Your Face

The Longfellow Sports Club in Natick Massachusetts club hired another sales person and brought in a sales trainer to develop a comprehensive sales and marketing program which resulted in increasing the September new sales by \$40,000 over the previous September.

When people are afraid, it's tougher to get customers to open their wallets. In addition, the competition for the customer will be more intense and many of your competitors will be offering steep discounts. Now is not the time to save money by cutting down on sales and marketing.

- a. Develop a cost-effective marketing plan that both reaches out to new customers and works to bring back loyal and previous customers. This is not an easy task, but it is a great time to explore various forms of advertising including newspapers, radio, direct mail, etc. These potential business partners are experiencing their own financial challenges and are more than willing to

create a package that meets your needs. Make sure you have a system to track the effectiveness of every marketing effort, so it can be thoroughly evaluated for its success.

- b. Since you are highly focused on customer service, develop systems to solicit referrals from your happiest and most loyal customers.
- c. Put significant management time, attention, and resources into your sales and marketing efforts. During tough times, the sales and marketing programs are the lifeblood of the business.
- d. Research and study the various possibilities for e-marketing on the web. In the 21st century, the internet is an essential component of any successful marketing plan.

7. Work with Your Business Partners and Make Effective Partnerships--Cut Some Good Deals

The owner of a Cambridge, Massachusetts, natural foods store owner co-founded Cambridge Local First and became one of its key leaders. Through the connections and relationships developed in this work, he found a better location that was larger and adjacent to three other local businesses. Two years later he's doubled his revenues and profitability.

Doing business during economic downturns requires that business partnerships and strategic alliances be developed. Think outside the box, and don't miss out.

- a. The relationship with your vendors/business partners needs to be evaluated regularly to ensure the price, service, and benefits remain strong and benefit both parties. Just like you, in tough times your vendors will be looking for ways to shore up their existing customers, and they know you're looking for ways to save money. A strong relationship with vendors when the economy is challenging will often result in lower prices and a better value. Don't underestimate the potential to save money in this area of your business. This conversation may also develop into more of a partnership with your vendor, where you may become a source of referrals or a demonstration site.
- b. Look for opportunities to partner with neighboring local businesses by finding opportunities for collaborative marketing and joint promotions.
- c. Join an existing "entrepreneur roundtable" or form a group of entrepreneurs who meet monthly to support each others' businesses. These have proven to be highly effective.
- d. Consider working with other businesses in your industry and your trade association to find ways to grow or maintain your revenues and save money.

8. Find Creative Ways of Getting Credit Locally

In Cambridge, the city's Economic Development Department organized a seminar for local business owners led by the commercial lenders of three local banks. Its express purpose was to open up a dialogue that educates entrepreneurs on how to finance their business growth, and informs the bankers of the needs of the local businesses.

It has never been easy for small businesses to get credit. Even with local banks, it's not uncommon to hear entrepreneurs complain that the only businesses that qualify for loans are those that don't need the money. With the banks under siege, getting credit will be even tougher. Entrepreneurs are a resourceful bunch, however, and with creativity and good business relationships there are ways to obtain credit for your business that might include:

- a. Work with your local bank. If you have a good relationship, ask for a meeting to go over your needs. If you don't have a relationship with a local bank, consider changing the bank you do business with and leveraging that decision to find a bank who will work with you. There are many options available if a local bank is interested in working with you including a personal home equity line, a line of credit based on receivables, or a refinancing of your business.

- b. Work with your vendors to establish better terms on payables. Many vendors will work with good customers during tough times if you have conversations in advance. An extra 30 or 60 days on payables is not uncommon during difficult times, can make a big difference, and acts the same as a line of credit. Even utilities will sometimes help out if you can make a good case.
- c. Accept investments from family, friends, staff, and customers. In order to develop community self-reliance and a strong local economy, we need to move in the direction of investing locally. During these uncertain times, investing in local businesses can be a safer investment than the stock market. There are many examples of businesses who have raised much of their capital from friends, family, staff, and customers. These local investments can be challenging and complicated, but this strategy can really work if you're willing to make some extra effort. (n.b.: consult a lawyer before going forward; there are different laws on investments based on the state you're in)
- d. Research local government agencies and community organizations of all types that offer programs and credit options for local businesses. CDFIs are set up to make loans up to \$50,000 for credit-worthy local businesses.
- e. Find a business partner or investor that believes in your business. Think outside the box. Be careful not to give up control or give too sweet a deal, but there are many examples of successful business partnerships.

9. Wake Up! Leverage the Internet to Grow Your Business

The Arlington (MA) Chamber of Commerce (a Local First chamber) spent months putting together and promoting a day-long seminar on how local businesses can leverage the internet to grow their business. Over 100 people attended and the reviews were overwhelmingly positive.

Most small businesses do not fully utilize the many benefits the internet can offer. Local businesses can almost always benefit from a larger marketing toolbox. There are a number of companies specializing in web-based solutions to help grow your business.

- a. Make sure your website is maximizing your ability to present your product/service and its benefits. The functionality available on the web is growing every day--don't miss out on this potential winner.
- b. Have you positioned your business to ensure that when people are searching for your product, your company shows up high on the list of search results? If not, make this a priority and your business will grow.
- c. Marketing through e-newsletters and other email tools is a growing source of leads and sales for today's modern businesses.
- d. Are you communicating efficiently inside your business? The productivity of your staff can be dramatically improved through a variety of internet functions. If you're not using Google Docs, or something like it, you're not being as productive as you could be.

10. Energy and Water Conservation Saves Money that Goes Right to the Bottom Line

27 locally-owned businesses in Boston are participating in a program directed by the Sustainable Business Network of Greater Boston (SBN). It provides guidance and technical assistance for these businesses as they try to become more sustainable and save money on energy. Every business in the program has found ways to reduce their energy costs, and these savings will continue year after year.

The Sustainable Business Leader Program (SBLP) is an SBN program that helps local businesses decrease their carbon footprint and save money. A few of the easiest ways to save money are:

- a. Replace all incandescent lights with high-efficiency fluorescent lights.
- b. Evaluate the cost of your IT systems and make adjustments to save power if necessary.
- c. Insulate your building, focusing on any areas of heat leakage.
- d. If you have company automobiles, make your next purchase a hybrid.
- e. Water is becoming a bigger expense for many types of businesses. Install water saving devices--low flow shower heads, faucets, and toilets and waterless urinals are all big savers.
- f. Research onsite methods of installing renewable energy or more efficient use of energy, such as co-generation units, solar hot water, or solar electric panels.
- g. Do some shopping on utility rates. Smart energy buyers are locking in their utility rates for three or more years at very favorable rates. Energy prices will be going up in the long run, so locking in is definitely the prudent thing to do.

11. Bring in Greenbacks by Going Green

During economic downturns there are always certain business sectors that still manage to do well. The emerging Green Economy will only gain strength in the coming years--not only because customers are demanding green products, but because of the high cost of energy and support of government programs. Nearly every business can find a way to become a part of the Green Economy.

- a. If your business is connected to construction, look for ways to tap into the "green building" industry or the energy conservation industry.
- b. If you're a retailer, look for environmentally friendly products you can sell and create a green profit center.
- c. If you're in the food industry, look for ways to incorporate organic and local food into your business.
- d. Transform your business into a highly environmentally-friendly business (consider making it an eco-education center) that identifies you in the marketplace as a "green business".

12. Turn Fear Into Power!

There are many real reasons for us to be fearful about the future of our economy. It might be tougher to get credit, or there may be a dramatic drop in revenues. Fear is playing a major role in magnifying the current economic crisis, and this fear of the future can paralyze us and prevent us from taking practical steps to grow our business. Business leaders need to join together to move beyond fear and move toward a more productive and positive attitude.

The first step is to evaluate exactly what the situation is and identify what are the legitimate fears and what are those we've conjured up independent of reality. Some have defined fear as False Evidence Appearing Real, and it is our job to make an accurate assessment of what fears are real and what are imagined.

When we have a clear picture of where we are, we can then effectively develop an overall strategy that will ensure our business survives and thrives during this recession. We can then leverage the real fears we have into a powerful motivational tool for entrepreneurs and for their employees. By turning fear into power, we can grow our business and strengthen our local economy at the same time.