



HOW TO KEEP
YOUR BUSINESS

AFLOAT

IN THIS ECONOMY!

By Frank Sahlein

There is no “magic bullet” that is going to keep businesses solvent and thriving today. However, there ARE steps that any small business can take *now* to preserve what you have, and even GROW your profits.

It is ironic that many of the factors that will keep your business afloat in this economy are identical to those that help prepare your business for the highest sale price!

Making the adjustments and changes to stay afloat TODAY are just solid business practices EVERY DAY, not just when the economy is down, or when you want to sell.

Surveys conducted by the National Federation of Independent Business indicate that up to 15% of small businesses are planning layoffs in 2009 – make the adjustments to be sure that your business is not among that group. *Do not delay - make and implement the tough decisions before it becomes necessary! >>>*



ADMINISTRATIVE & MANAGEMENT considerations

Examine each of your product line (each segment of each program) and services for acceptable contributions to profitability. Just because you have “always offered such and such program” does not mean that you automatically offer it forever! If you choose to continue unprofitable activities, do so with your eyes wide open – be able to measure the exact dollar amounts that you choose to “subsidize” on a monthly or session basis.

Keep asking ... why am I offering this segment of my business? Is it profitable? Is it getting more or less profitable? Are the profits worth any other factors that come along with it (emotional, loss leader, etc.)?

Once you are set with your programs for the year, aggressively campaign to increase sales.

Consolidate your classes so that they are all full (at maximum acceptable ratios), or nearly full. This will decrease your labor costs and increase your Profits like no other move you could make. Fun? Maybe not. Necessary and productive? Absolutely!

MARKETING considerations

Review your Marketing Plan

It may be time to review your Annual Marketing Plan, in detail. Here are a few questions to consider.

- How much are you spending, as a percentage of your gross revenues?
- What are you spending your marketing dollars on?
- What is the actual response to each medium?
- How are you tracking the results?
- Is it time to ramp up your Marketing IQ in relation to Strategy, Campaigns and Tactics?

Customer Loyalty Survey

Knowing your customers – understanding their interests, priorities, goals and desires – is the key to surviving the economic downturn, according to one writer. Steps toward conducting an effective customer survey include: Decide on goals for the survey; use a solid, Web-based service to host the survey; design an effective survey; administer the survey through email; and look for trends and surprises when interpreting results.

Miscellaneous considerations for building Customer Confidence!

- Up-to-date and lively sales & marketing literature
- Business signage current and in good repair
- Staff uniforms
- All areas of business premises neat and orderly
- Well-stocked supply room
- Major company awards prominently displayed
- Employees busy and courteous when prospective buyers visit
- Adequate parking
- Adequate interior & exterior lighting
- Landscaping.

HUMAN RESOURCE considerations

Evaluate Employee's Positions

What are the potentials for increased responsibilities for current staff? Many clubs compensate on a full-time basis for a part-time job!

The change to a system that has more variable income is the answer to controlling payroll costs and motivating people to perform well, in their own self-interest.

Is there potential for elimination or consolidation of particular positions? Is there a continuing need for (possibly overpaid) family members?

Continuity of Management and Key Employees

If you use Employment Contracts, bring them up to date. If there are no Employment Contracts in your business, then be sure that you are conducting a minimum of annual comprehensive performance reviews. Actually, the best reviews are ones that are continual.

Involve Key Staff or Program Leaders in strategic planning for their Department, and possibly for entire company.

Be sure that the “4 Bridges to Compensation Success” are in place – Training, Control, Tools, Financial Info (and relational Profit-Sharing).

Professional Development

According to the Harvard Business Review, the unconventional wisdom is that any economic downturns or downtime is the best time to enhance skills. This will keep your people sharp, and make your organization the one that will be most ready when busier times return.

COMPANY INFORMATION TECHNOLOGY considerations

Evaluate Office & Computer Equipment

How efficient, productive and cost-effective is your software and hardware? Will you see increases in staff productivity and customer service by upgrading? An operation that has up-to-date hardware and software is a more nimble corporation now and when times improve.

Operations Manuals for all phases of Business

A top-notch business in our industry has two types of operating manuals – Activity Programs manuals and Business Operations manuals. Operations Manuals are the documented “meeting ground” for Owners and Program Directors, and help set continuously-improving standards for the company. Get professional industry consulting assistance if you do not have the time to document this. If it is not written down, it will not get done!

FINANCIAL considerations

Examine Operating Percentages and Cash Flow

Your first goal is to bring your operating ratios into line with industry best practices. Your total payroll and payroll taxes, including benefits and owner



compensation, should not be above 50%. In our nationwide consulting work, we have documented that payroll varies widely between small, medium and large operations, and between industries (gymnastics, swimming, dance, cheerleading, martial arts, others). However, in almost all cases, payroll is the number one expense, so reexamine this on an ongoing basis.

Speaking of Payroll, do not fall behind on IRS or State Tax payments of any type. These are among the hardest categories to recover from, and when you factor in penalties, interest and STRESS, it is not worth it. Negotiate in other areas if necessary, but not in this one.

Your percentages for marketing, utilities, mortgage or rent, insurance and professional development will also vary by gross revenue size and/or industry, but be sure that you have enough profit margin to survive normal and "economic crisis" conditions.

Save for a rainy day economy! If you have no reserve fund, you may run into serious trouble. Start one instantly, no matter how! Every dollar you save TODAY might be the margin of survival TOMORROW.

Business Inventories

Keep a complete list and values (original cost, fair market value, and depreciated value) for all equipment. Keep a complete list and values for all current inventories (pro shop, concessions, and supplies). Sell off very old, unused or stored equipment that give poor image or is not needed any longer.



Collect all Aged Accounts Receivable. No ifs, ands or buts. Just do it!

Make a list of everything you could do right now to CUT COSTS and PRODUCE MORE INCOME.

Supplies

You can ask for savings based on an annual bid (as opposed to a per event basis) for the purchase of t-shirts, color printing, party supplies or equipment. A 5% discount on all supplies could add up to thousands of dollars on an annual basis.

Financial Reports

Get your financial reports structured to get proper cash flow statements by department as well as company-wide. This will give you the business intelligence you must have to make the right decisions. Have your financial statements reviewed by a CPA and an industry expert every year.

FACILITY - PHYSICAL PLANT considerations

Investigate the potential restructuring of Leases, Mortgages and other Business Contracts BEFORE you need to.

Check and examine carefully all of your lease, mortgage and other business contracts this week. You may have options to renegotiate that you were not even aware of. We had one client who was able to release themselves from a major personal guarantee on a sizeable lease because the first five year period had elapsed!

Bankers and landlords want you to stay in place and continue to pay them. Generally, if they need to cut you some short term slack, they will do it.

Operating cost savings and/or revenue increases can be achieved through increased programming (utilizing intelligent flex-spacing) and additional space rental revenues.

Another savings technique is to keep your equipment up-to-date and in good repair. It lasts longer!

RISK MANAGEMENT considerations

Legal

Settle all outstanding lawsuits, tax liens, etc. Settle any employee disputes, loans or other corporate baggage. Resolve all partnership and/or shareholder disputes.

Check Insurance Coverages

Be sure that all of your insurance coverages are up to date and that you have adequate coverage. These include liability, accident/medical, premises, business interruption, equipment, vehicle coverage's, and health and benefits for employees. This is no time to be stuck with inadequate coverage if something happens.

Travel, Lodging, Meals and Entertainment expenses

Eliminate all travel, lodging, meals and entertainment expenses that do not boost or help maintain your company's usual level of sales. If you offer traveling training clinics for staff, have clear reasons for them to attend and plan for a return on investment (ROI) by having them report and track the effect of any improvements to their program. Keep this ROI mentality in all instances.

INSPIRATION!

If you think that times are tough for you as a business owner, imagine how your staff feels! They feel like they have even less control than you do. Leaders show their true colors in tough times, so this is the perfect opportunity to set a great example!

Continue to develop your staff by sharing motivational, success, goal setting and change formulas. The morale of your entire company will be higher than that of your competition, and you will generate an invisible edge!



Have a Business Efficiency Analysis and/or Business Valuation by an Industry Consultant

Efficiency Analysis: Hiring an industry consultant to conduct a business analysis to increase company operating efficiency and profitability is always a good investment. The best consultants will pay for themselves many times over, and should be willing to offer a 100% guarantee! This service streamlines business operating systems and explores potential programs, revenues and profits that may not be apparent on the surface.

Business Valuation: Even if you are not going to sell in the near future, it is always instructive to have a business valuation performed. A professional valuation will reveal exactly how a prospective buyer will see your business; the better informed you are, the more you will “position” your business for an easier sale when the time comes. Be sure that your valuation professionals have actual “hands on” industry experience, and are Certified Business Intermediaries with a database of industry-specific valuation comparables. ✖



Frank Sahlein, CEO of 3rd Level Consulting, has been involved with the industry since 1967 as Gymnast, Martial Artist, Coach, Business Owner, Consultant and Business Broker. Frank pioneered the unique blend of Sports Instruction, Child Care & Education, and Entertainment in the early 1990's to establish a new model for Children's Learning Opportunity Centers. The WINGS Center www.WingsCenter.com remains a working lab of synergistic programs.

