

SURVIVING COVID-19

FACT SHEET - BUSINESS SURVIVAL STRATEGIES

Work through our suggestions that are listed below. It has not been possible to include all possible strategies as much will depend on your individual circumstances. However, there should be enough to whet your appetite and help you find a path through the present uncertainties. Having selected points to consider, please call so that we can help you create a formal action plan.

1. Secure sales

You may find that customers have already started the process of cutting back on your supply of goods and services. This is an inevitable consequence of closing businesses. Supply chains dry up and demand quickly diminishes. On the assumption that the present restrictions will be eased at some point, what we should aim to do is to maintain our present close relationships with our clients and customers. To achieve this, you could consider the following tactics.

- If you supply goods, offer them at a discounted price rather than lose a sale. If necessary, sell at cost for a cash sale. Better to have money in the bank than stock idling on a shelf.
- If you supply services based on your time discount your charge out rate or offer the work FOC for a limited period to cement goodwill. Improving your relationship with a client is a better alternative than sitting around twiddling your thumbs.
- If your staff provide the services offered to customers, and customers seem reluctant to continue buying these services, offer to reduce your fee to cover their payroll cost. This will help you retain staff and your customers will appreciate the gesture.
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2. Reducing your cost of sales

If you buy goods for resale, or as raw materials, contact all your suppliers to see if they can offer discounts. For example, if you have sufficient cash reserves, you could offer to pay on delivery. Much will depend on the available supply from other providers. If supplies are low there will be upward pressure on prices as suppliers try to maximise their returns. Another possibility is to consider making the parts you need from basic raw material that may be more readily available.

Action note: Beware paying for goods in advance of taking delivery. There are stories circulating where goods have been paid for and then not delivered. Pay cash on delivery.

3. Reducing overheads

Truthfully, re-examining our overheads is probably a periodic task that we should all undertake. But, needs must, and any contribution to reducing our major overhead costs during the current disruption is to be welcomed. Obviously, if you are closed down by government your options are more limited so we have split our ideas into two groups: firms that can or those that cannot trade.

If you cannot trade:

- First on the list, dig out your business insurance policy – does it include a business interruption clause? If yes, say a prayer of thanks to your lucky stars and call your broker or insurance company; make a claim... If you don't have business interruption cover, ask if you can reduce your premium and flex the risks covered, to better suit your non-trading hiatus.

- Pull the plug on all those recurring subscriptions that you can easily re-introduce once you can recommence trading.
- Have rigorous negotiations with your business premises landlord (after examining the terms of your lease) to see if they can offer a moratorium or reduce your rent during the COVID-19 disruption. After all, if you go broke during the closedown, they will lose you as a tenant and with little chance of finding a new one.
- If you own business premises see if you can sub-let to firms that need additional storage. This could turn an overhead into an income stream.
- Furlough your staff and maintain your payroll consistent with the Coronavirus Job Retention Scheme grants you receive.
- Contact your local council to make sure they know you are closed and that any available grants or allowances are factored into your rating assessment.
- Overheads to cover trading activity, travel costs for example, should reduce as costs will no longer be incurred.
- If you have maintenance contracts with website managers or IT specialists, see if they will reduce their charges for the next quarter.
- Finally, dig out a copy of your last accounts and go down the list of overheads in the profit statement. What have you missed for review?

If you continue to trade at a reduced rate:

- Review all your overheads and cancel any that you no longer need: trade subscription etc.
- See if you can negotiate reduced mileage payments for staff travel during the COVID-19 lock-down period.
- Furlough staff that will be underutilised during your period of slow-down.
- If your sales/revenues are significantly affected, as above, ask your landlord, IT specialists, website managers and similar to accept a lower fee.
- If you have your own business premises and can manage with less space, see if you can find a company that needs extra storage, and as suggested above, create an extra income stream.
- And finally, dig out a copy of your last accounts and go down the list of overheads in the profit statement. What have you missed for review?

4. Delay investment in new plant, equipment or vehicles

Unless capital expenditure is needed to facilitate sales, postpone any acquisitions for the next few months. In fact, consider the exact opposite. Do you have any vehicles or other IT, plant or equipment that you could sell? Organising online sales via eBay is fairly simple if you have photos to hand. Delivery could be an issue...

5. Trade debtors

Revisit your credit control systems. Now is not a good time to leave your money in your customers' bank accounts.

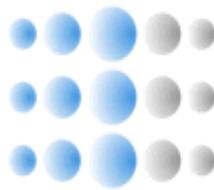
6. Stock

Have sales of slow-moving stock. Better to convert into cash in your bank than have stock items gathering dust on shelves. Could also offer to your customers at cost. This would have the added advantage of adding to customer goodwill.

7. Existing loans and overdrafts

Be sure to keep in touch with your bank manager. Examine the new loans on offer during the disruption – the government guaranteed loans for example – see if you could reduce interest costs by restructuring loans or converting overdrafts into loans.

Whilst the above ideas are shared with the intention that you pick-up ideas to help you through the next few months, there is no substitute for sitting down (or in present times, linking up on Skype or Zoom) with us, to see if we can help you survive the coming months of uncertainty and disruption. There may be a cost in doing this, but we will always endeavour to create more value for you than the level of investment required to fund our involvement. In the first instance call so that we can discuss your options.



ThainWildbur
Chartered Accountants
and Business Advisers

Telephone: 01553 772680

Email: enquiries@thainwildbur.co.uk

Website: www.thainwildbur.co.uk

Address: 36/38 King Street, Kings Lynn, Norfolk PE30 1ES

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