

## Article Published in the Derby Evening Telegraph

### Surfing the wave of recession

David Bowler, Director of Corporate Services at Sibbalds Chartered Accountants, provides his tips for success and survival during the recession.

To ensure your business survives the recession, you must take action now. Failure to do so may mean the failure of your business.

The first thing that every business owner should be doing, is preparing a cash-flow forecast for the next 12 months. There are software packages available that can simplify this process, but it is wise to consult an accountant who will be able to guide you through the process or prepare the forecast for you. The forecast will help you identify whether there will be any periods where the business may need support from the bank in the form of a loan or overdraft. If you apply for an overdraft when the business is performing well it is much more likely to be agreed.

The next item on the agenda should be customer management. It may now be the time to get rid of can't pay/won't pay customers. If they are a valuable customer, it may be that you offer them a discount for early payment, or allow them to spread the payment over a longer period. When taking on a new customer, invest a little time to check the credit worthiness of the business. If they have a poor history, don't give them credit. Instead, try asking for cash on delivery or issue a pro-forma invoice for them to pay in advance.

Communicate with your suppliers, and try and agree extended payment terms. If you currently pay all your suppliers on 30 day terms, and you have kept within these terms, try speaking to them to see if this can be extended to 45 or even 60 days. This will give you little breathing space and also ensures you can offer a little more flexibility to your key customers.

Keep a careful eye on stock. Stock is essential for the running of most businesses, but holding too much or the wrong type of stock is a recipe for disaster. Speak to suppliers and see if you can order any of the items you stock on a consignment basis so you only pay for what you sell, or alternatively try organising for goods to be delivered directly from suppliers, which reduces the holding costs for you and can mean you only pay for stock when it is sold.

Look after your best customers. There is a saying that 80% of your income comes from 20% of your customers, and also that the bottom 20% of your customers cause you 80% of your problems. Whilst this is a generalisation, it has a lot of truth in it. As a result it is crucial that you focus your resources on the customers who give you the most revenue and profit, as these are the ones that will help you through the tough times ahead.

Finally, the best tip I can offer is to consult your accountant regularly. Accountants are well placed to offer advice specific to your needs, and will have access to specialists who can help you in almost every area of your business. If you do not have an accountant, or would like to speak to me about any of the tips above, please email me on [david.bowler@sibbald.co.uk](mailto:david.bowler@sibbald.co.uk) or telephone 01332 344246. I am happy to help, and provide a free consultation if required.

“ ... not just numbers

● AUDIT

● ACCOUNTS

● TAXATION

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● STRATEGIC DEVELOPMENT

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