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Economic Survival Kit

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We have had an unsettling start to a new decade and have breathed COVID-19 since it was declared a “global pandemic” by the World Health Organisation on 11 March 2020.

Managing in these uncertain times now requires a different road map than the one that existed pre-COVID-19.

Do you or your organisation have a new road map in place to assist you in navigating in these strange times?

The economic downturns experienced previously, including the Global Financial Crisis of 2007-2009 and the 1987 share market crash, had a profound impact on the business operating environment. The COVID-19 pandemic will be no different to the preceding downturns.

Now is the time to change your strategy to survive and prosper beyond COVID-19.

The [Findex Economic Survival Kit](#) can assist your business to survive this economic downturn.



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1. Introduction

1.1 What is the Economic Survival Kit?

The Economic Survival Kit has been prepared to assist your business in surviving an economic downturn. A downturn may be limited to your industry, or it may be experienced more widely by your local economy or on a national or global level.

1.2 What can happen to your business during an economic downturn?

An economic downturn can have many impacts on a business. These include:

- Less business activity
- Increased competition
- Reduced turnover
- Increased risk profile
- Reduced margins
- Tighter cashflow
- Reduced profitability

When an economic downturn occurs, you need to consider:

- What has changed in the market in which you operate?
- Can your business adapt to changing market conditions?
- What strategies can you implement to not only survive, but also grow into a more robust and competitive organisation?

1.3 About the Economic Survival Kit

The Economic Survival Kit includes three sections to assist you:

- Know your business
- Adopt business strategies to manage your business
- Know your industry and local business environment

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2. Know your business

2.1 Executive summary

To ensure your ongoing business success and profitability, first it is essential to understand your business. There are several key areas that you should have in place and have a clear strategic comprehension, including:

- Clear goals and objectives of the business
- Prepare a business plan
- SWOT analysis
- Identify critical success factors
- Understand key business and profit drivers
- Define Key Performance Indicators (KPI)
- Undertake business benchmarking
- Create a marketing plan
- Ensure accurate and timely reporting systems
- Document action plans

2.2 Clear goals and objectives of the business

Do you have clear goals and objectives for your business? This includes identifying your vision for the business and your core values. Your goals and objectives are used to capture and ensure the support and enthusiasm of your stakeholders - your employees, business partners, associates, family and friends.

2.3 Prepare a business plan

Does your organisation have some form of business plan? The objective of strategic business planning is to achieve greater long term performance and profitability compared to your competitors.

In every industry, some businesses are more successful and more profitable than others. Why? Successful business owners identify market opportunities and develop and implement strategies and plans to make the most of those opportunities.

The function of a business plan is to demonstrate how you intend to drive your business towards a desired position in the market place. The business plan outlines how you will achieve this by outlining how your business will make optimum use of available resources to capitalise on identified opportunities and minimise risks.

Once your business plan has been carefully constructed, it is important to ensure you and your key stakeholders thoroughly understand it so that you can put it into effect and follow it.

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2.4 SWOT analysis

Have you conducted a SWOT analysis of your business? Do you understand the key issues your business is facing?

Conducting a SWOT analysis allows you to identify and develop actions to move your business forward by understanding its strengths, weaknesses, opportunities and threats from multiple external and internal viewpoints.

Strengths: What are the attributes of your business that are helpful to achieving your objectives and how can you maximise those strengths?

Weaknesses: What are the attributes of your business that are harmful to achieving your objectives, and how can you minimise each weakness?

Opportunities: What are the external conditions that are helpful to achieving your objectives, and how can you take advantage of each opportunity?

Threats: What are the external conditions that are harmful to achieving your objectives, and how can you defend against each threat?

2.5 Identify critical success factors

In order to analyse your business' critical success factors, you should be able to list the reasons why your business is successful. What are the critical success factors which will contribute to your business' success? Your critical success factors are within the control of the business and you should fully understand them so you can maximise your business' opportunity to succeed.

Often these may include your ability to manage the effects of any key sensitivities. Examples of key success factors include:

- Shared purpose
- Working knowledge
- Cost effectiveness
- Structure
- Reposition scope of business
- Niche market development
- New market innovation
- New product innovation



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2.6 Identify key business and profit drivers

Can you identify the five critical factors that drive increases in your business profit?

One of the toughest challenges you face is learning how to manage your financial performance.

Successful businesses achieve consistent profitability because they know the factors that drive their profitability and work relentlessly on the key drivers of their business, including:

- Increasing price
- Increasing number of customers
- Increasing average dollar sale
- Increasing frequency of customer visits
- Decreasing costs – fixed and variable

The reality is that a combination of all these strategies will be required for your business.

Do you understand the critical issues that drive profit in your business?

2.7 Define Key Performance Indicators (KPI)

What are the KPIs of your business?

KPIs are used to track your business' performance against budgeted targets over a certain period of time. A successful business will have KPIs in place and review them regularly.

2.8 Undertake business benchmarking

Do you benchmark your business? There are a range of processes and outcomes that can be benchmarked. These include both financial and non financial factors. KPIs can be benchmarked against internal targets, competitors, industry data or best practice.

Benchmarking allows you to understand how your business is performing relative to other businesses. It will allow you to identify areas of improvement and set the bar for consistency and success.

2.8 Prepare a marketing plan

Do you have a marketing plan? A strategic marketing plan is essential in giving your business the best chance to cut through the market and achieve success. A marketing plan is a written plan of your market strategies including:

- Situation analysis and competitor analysis
- Target market definition
- Brand and brand position
- Marketing Mix (product, place, promotion, price)

Your marketing plan should be included as part of your business plan and reviewed regularly. How often do you review your marketing strategies?

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2.10 Ensure accurate and timely reporting systems

Successful business operators generally have reporting systems that deliver accurate and timely information, whether it be financial or non financial.

Accurate and timely information allows you to not only know what is happening in your business, but also to make good decisions on time.

- Do you produce regular reports detailing your critical success factors in KPI format?
- Do you have monthly financial reports including profit and loss and balance sheet?
- Do you regularly measure your reports against budgets and targets?

2.11 Document action plans

You should have an action agenda of the key issues of the business plan to ensure a check list for implementation and ensure that overall effectiveness is achieved for your business.

The action plan schedule should detail:

- Action description
- Who is responsible for each action
- Action start date
- Action completion date

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3. Adopt business strategies to manage your business

3.1 Executive summary

These strategies can assist your business in surviving an economic downturn. They include:

- Proactive business management
- Accurate controls and business KPIs
- Financial management
- Cashflow and profit projections
- Accounts receivable (sundry trade debtors)
- Review all costs
- Debt consolidation/reduction
- Product, sales and distribution strategies
- Marketing strategies
- Personal lifestyle cost
- Profitable habits
- Structure of affairs
- Insurance
- Asset protection

3.2 Proactive business management

It is important to take a proactive approach to managing a business and to have a strong plan driving it.

Strategies include:

- Plan to succeed
- Ensure you have a business plan and a clear direction and strategy for your business

- Make clear decisions quickly and communicate with stakeholders
- Review every aspect of the business' performance honestly
- Focus on only what drives value

3.3 Accurate controls and business KPIs

Create performance measures that are aligned with the vision and strategies of your business. These performance measures can be used to:

- Focus on the management of all critical activities
- Facilitate open and honest communication with all stakeholders, in particular with staff
- Provide cohesive direction for individuals across different areas of the organisation

Develop a list of KPIs which exhibit the following characteristics:

- Quantifiable
- Accountability is able to be assigned
- High business impact
- Comparable to predefined budget, forecasts and targets
- Can be tracked over time

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3.4 Financial management

Your ability to understand and manage the financial outcomes of your business will have a direct and significant impact on its success. This is especially vital in a period of economic downturn. What will your business' bottom line look like if your turnover or margins are reduced?

You should know the following information:

- Break even points
- Cost take out plans
- Understand your costs – fixed and variable
- Understand your pricing points
- How much pressure can the business withstand before it hurts?
- What will the financial impact on cashflow and profit be?

Conduct a Sensitivity Analysis for your business – “What happens if...?” Plan and act now.

3.5 Cashflow and profit projections

You should prepare a detailed profit and cashflow projection for the next 12 months. You should also prepare broad profit and cashflow projections for the two to four year outlook period.

It is important to assess the impact a downturn may have on your accounts receivable, inventory or accounts payable levels. You need to assess the impact changes in the levels of these items will have on your cash.

Your cashflow projections will indicate when cash shortages arise. These fund requirements should be discussed with your financiers so they can also be ready to assist you if cash shortages exist.

Managing your cash in an economic downturn is one of the most significant challenges a business owner will face. You should be working closely with your advisers and have financial models to allow you to anticipate the impact of various strategies you want to implement.



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3.6 Accounts receivable (sundry trade debtors)

It is important to strengthen your accounts receivable management:

- Make sure all your revenues are recorded accurately in your accounting system
- Ensure your invoices are dispatched to customers on a timely basis
- Confirm that customers know your terms and conditions of payment
- Follow up outstanding debts promptly

A major occurrence in an economic downturn is a slow down in payment cycles. You need proactive management and enhanced communication systems with customers to ensure any slow down is not reflected in increased bad debt levels.

3.7 Review all costs

In any economic decline, a serious review of each cost in the business is critical, as well as understanding your cost structure, including:

- Reviewing all your costs including all direct and indirect costs
- Understanding the difference between a direct cost versus an overhead cost
- Reviewing and managing the cost of your employees and subcontractors

- Reviewing your overheads
- Carrying out a complete review of every cost
- Including cost management as part of your budgeting process
- Ensuring you have a budget for every cost incurred

Be ruthless with costs.

3.8 Debt consolidation / reduction

Managing your total debt structure and increased communication with your bankers is critical to surviving economic downturns. You need to address the following:

- You should have a thorough understanding of how much debt you have
- Review your debt. Include in this review:
 - Business loans structure and timelines for repayment
 - Equipment finance structure and efficiency
 - Business cards usage and cost
 - Overdraft levels
 - Personal debt levels
- Consider how your debt has been used:
 - Business
 - Business toys
 - Investments
 - Personal toys

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- Determine whether your business can afford to carry the debt levels during a downturn
- Consider what your preferred terms of repayment and impact on cashflow are:
 - Principal and Interest
 - Interest only
- Review your debt structure. Consider the following:
 - Can you use short term debt/cash for long term asset acquisition?
 - Can the debt be consolidated or refinanced over a longer term?
 - Can the asset be liquidated and the debt repaid?
 - Talk to your accountant, financial advisers and bankers for guidance

3.9 Product, sales and distribution strategies

In any downturn, you should review each product's sales and costs of distribution to determine the real underlying profitability.

In particular you should:

- Understand how demand for your product/services changes in a downturn and develop a business strategy on how to cope with expected changes to demand
- Make sure you have detailed information on your product range and depth, including plans for new products. Consider whether you should reposition your business to an alternative market
- Gather information that demonstrates your understanding of the market potential. Look at the following areas:
 - Industry description and outlook
 - Product description
 - Target markets
 - Competition
 - Distribution
- Be proactive in looking for alternative products and services. Seek out other opportunities. Consider your ability to reposition for other competitive advantages
- Develop your distribution strategies, as distribution involves both competition and cost considerations in moving goods to end markets. The selection of a distribution strategy also has an important bearing on both product positioning and the image you are trying to create in the market place

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3.10 Marketing strategies

Having a clearly defined marketing and promotional strategy is critical for your business. Are you on top of changes in the market place and in your industry?

- Obtain a thorough analysis of your existing and proposed product markets
- Determine the competitive marketing strategies to be pursued by both you and your competitors
- Understand and define the broad strategic thrust you intend to pursue
- Develop your marketing objectives. These will guide the major components of your marketing strategy
- Define your product/service strategy. This can establish your competitive advantage based on product innovations and a customer-driven approach
- Assess your pricing strategies. Competing on price alone may lead to serious problems in business. Pricing policy should be closely linked to all other elements of your marketing mix
- Your marketing communication strategy requires creativity and innovative thinking. It is an area where a unique competitive advantage can be developed with the right communications mix

3.11 Personal lifestyle cost

Consider your personal lifestyle and prioritise your requirements. Your lifestyle may need to be redirected to be more conducive to saving. You should:

- Save first and spend last
- Have clearly defined personal goals
- Cut out personal costs and commitments
- Become “lean and mean”
- Use a personal budget and monitoring to avoid spending beyond your means

3.12 Profitable habits

Use the financial environment to develop attributes of successful business owners. These attributes exist with successful business people:

- “Make it happen” skills
- Ask “what needs to be done?”
- Intolerant of poor performance, standards and values
- Knowing your business/industry drivers
- Persevere towards goal attainment
- Take ownership of outcomes
- Exert a high level of effort
- Financial awareness and understanding

3.13 Structure your affairs

Adopt the most appropriate legal structure to enable you to legally minimise your taxation responsibilities. There are several Income Tax minimisation strategies that your accountant can assist you with. These include:

- Prepayments
- Depreciation

Talk to your adviser about how you can minimise your tax.

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3.14 Insurance

Income protection is imperative - stress equals trauma. You need to ensure your income is protected.

- Review your ongoing business expenses.
Adequate insurance protection may determine whether your business continues or not
- Consider trauma - a cash cushion which may make the difference between business suicide and survival
- Consider life insurance
- Review all general insurances with your broker
- increasing the excess may decrease the premiums

Manage your insurance cost against the desired risk profile for your business and personal requirements.

3.15 Asset protection

Ensure your trading structure and insurances are adequate for asset protection purposes. Issues to consider are:

- Use of legal structures to protect assets in the event of litigious claims
- Ensure adequate insurance in the event of abnormal events happening to yourself, key employees or business
- Do you have a succession plan strategy?
- Do you have adequate resources to cover an economic downturn?



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4. Know your industry and your local business environment

4.1 Industry organisation

There are organisations that represent almost every type of business there is, and who are there to assist you with achieving your goals and objectives.

Who is the organisation that represents your industry? Are you a member? Do they provide information that can assist and/or impact on your business/industry and do you utilise this information?

4.2 Membership benefits can include:

- Regular meetings
- Networking functions such as “business after hours”
- Specialised business events and guest speakers
- Topical workshops
- Awards

- Regular contact with local government and various stakeholder groups
- Lobby and prepare submissions on behalf of business members to local and central governments
- Facilitation of consultations in conjunction with member representation to assist with local business growth
- Access to up to date business information and market trends
- Regular communication to all members of relevant topical information
- Various partnerships/sponsorship arrangements

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5. Where to next?

This document outlines some key strategies and initiatives that, if implemented correctly, will have a substantial positive effect on your business' profits and growth.

For more information on how these strategies can be implemented successfully into your business request a callback from one of our Business Advisers by visiting findex.com.au/contact-us in Australia or findex.co.nz/contact-us in New Zealand.



Visit our website

We have a range of tools and ideas to help businesses, as well as specific information about our services and people.

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