



Mistakes

How can you ensure your business survives in the current economic doldrums? *Dr Greg Chapman* identifies five key hazards – and how to handle them.

OK, it's going to get pretty rough in the next few months. Everyone will start to batten down the hatches. It's already happening with job lay-offs in the corporate sector and it's only a matter of time before this starts to hit SMEs as cash for discretionary expenditure starts to dry up, unsustainable government spending splurges notwithstanding.

Inevitably, just as we saw in 1991, less well-managed SMEs will fail, which will have an impact on bookkeeping service providers. Faced with such circumstances, you can either be re-active or pro-active.

Beware the big five

Here are five key mistakes you (and your clients) need to avoid in a downturn.

1. Slashing the marketing budget

For accounting technicians this is likely to mean advertising, but may include other things as well. Of all your costs, this one appears to be the easiest to cut. However, if your marketing was working, it would be returning five to 10 times your investment. Your problem is, you don't know if your marketing is working.

There is a general rule in marketing: if you don't know whether it is working, it probably isn't. However, if your marketing is working, why wouldn't you continue it? You might even do more of it!

So the first step is to measure your marketing and decide if it is effective. By all means stop what isn't working, or modify it until it does.

2. Not changing marketing strategies in response to market changes

When the market changes, you must change your marketing. That is, look at your whole strategy, see what was wanted in the good times – and see if it is still what your market

to avoid in a downturn

wants in the tough times. It is highly unlikely that the market of any business will be unchanged. The big mistake businesses make is assuming that what worked well in the past will work as well in the future.

So business owners need to do a detailed review of their market, understand how it has changed and, therefore, how they should respond to those changes. This may mean changes in the promotion of services, or even changes in the service itself.

In the case of accounting technicians, you are in a great position to help your clients better understand their performance and produce the extra reports you know they should be using during these difficult times.

During a downturn, there is a shakeout of poorly managed businesses which creates opportunities for the well-managed ones.

What other ways can you increase your value and differentiate yourself from the other bookkeepers in your marketplace? With a revised strategy that has been adjusted to new market conditions, there is no reason why smart accounting technicians cannot continue to prosper.

3. Discounting

During a downturn, everyone is under pressure to reduce their prices in order to stay in business. This is a recipe for going out of business. You end up in a price war with your competitors, until the last person standing emerges from the smoke all bloody and bruised.

Don't discount your prices, discount your scope. When you do this, your clients are much more able to understand the value of your service. Tell them, for example, that they can save some money if they do their own data entry, and you will just do reconciliation and the BAS. The chances are, they will agree to leave things as they are!

4. Hunting for new customers and neglecting old ones

The best place to find gold is in a goldmine. It is six times easier to sell to an existing client than find a new one. What extra services can you provide to your existing clients? Can you come up with a new, more comprehensive package that covers more services than they currently use? Services that will free up more time for them to work on their businesses?

5. Slashing costs to the point where quality is compromised

For accounting technicians this usually means cutting down on time. You may try to do the work faster to maintain your profit, but if it impacts your quality, you will soon lose the client. In fact, if you face such pressures, it is often better to walk away from a client, because they won't thank you if problems start to appear, and this will affect your reputation.

Warning signs

The most obvious sign that a business is making these mistakes is a reduction in enquiries, followed by a fall in sales. If you are using a sales pipeline, you will see the early signs very clearly.

In fact, you might still get the same number of enquiries, but a lot more of them may be price shoppers. This would also indicate a review of your sales pipeline is necessary. The loss in enquiries, or even the right type of enquiry, may be the result of slashing your marketing.

Another indicator of trouble is that you are maintaining your sales, but your profit is falling. This means you may be cutting your prices too far.

On the other hand, an increase in complaints may be a sign that you have cut your costs too far.

What to do if business is contracting

There is a natural lifecycle to businesses in that, even with steady economic conditions, customers needs change over time. When a downturn arrives, this just accelerates the cycle. So many of the things I suggest are

things that businesses should do anyway, but don't because owners tend to become complacent when times are good.

The reason why matters becomes more urgent in a downturn is that cash flow can be badly hit if you do nothing, and you can go out of business. During a downturn, there is a shakeout of poorly managed businesses which creates opportunities for the well-managed ones. So it is important for even well-managed businesses take the steps I recommend.

So to answer the question about what accounting technicians should do if business contracts: you must first understand why sales are falling. Is it that the demand for services is less, or is someone making clients a better offer?

Once you understand why your sales are falling, you can start to address the problem. Make sure you truly understand the benefits of your services to your buyers in the current market, or whether you should consider a different market.

What is the ultimate value an accounting technician provides to a client? Is it a great set of books, time that the owner can spend doing other things, or providing the owner with a deep understanding of the performance of their business and how to improve it?

If you can answer this question and provide proof of your value to your clients, why would they ever dispense with your services or ask you to reduce your prices? ■

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Dr Greg Chapman is the author of the internationally recognised book *The Five Pillars of Guaranteed Business Success*. For access to free business tools and tips, visit his website <www.FivePillars.Business.Success.com>.