

Seven Ways to Defuse the Recession

Whether or not the recession continues through 2010, struggling business owners should take proactive steps to guard against any further or future erosion of the bottom line. Using some common sense can help a business prevail while competitors are forced to go under or merge. Here are seven practical ideas to consider.

1. Re-activate "inactive" clients. Reach out to clients who have used the company's products or services in the past but have not done so recently. It is generally easier to derive business from past clients than it is to develop new ones from scratch. Do not be heavy-handed: Start with a friendly call just to touch base and assess the current situation.
2. Follow-up on old leads. It has been estimated that 80% of sales to businesses are made on the fifth business call, but only 10% of salespeople call beyond three times. There is no replacement for continued contact. Ask prospects whether they received the materials, if they have an immediate or future need and what the status of that need is.
3. Derive more business from existing clients. Perhaps the best way to generate additional income is to cross-sell products or services to existing clients. These clients may not be aware of all of the firm's expanded offerings. A short but insightful conversation may lead to new ways of doing business.
4. Quote reasonable prices. In this current environment, pricing is even more influential than usual. Although some sort of reduction may be warranted, do not automatically drop prices to absolute rock-bottom. It will make it more difficult to raise prices when the economy turns around. Use prices and bid quotes that are reasonable for both sides. This is only a rule of thumb, but bids may be adjusted by 15% to 20% from charges in a healthy economy.
5. Delay projected increases. As a general rule, a recession is not the optimal time to raise prices, even if such an increase is deserved and overdue. It is usually better to postpone any planned fee increase announcements until the outlook brightens. But do not make any definitive pronouncements on price stabilization, either.
6. Repackage offerings. The standard package may need to be tweaked to benefit smaller clients and reduced budgets. These clients may not be desirable in boom times, but they can be an overlooked source of revenue when larger clients are struggling. Similarly, it may be beneficial to adjust the acceptable customer profiles to accommodate a wider range of candidates.

7. Market more aggressively. When business slows down, increase the percentage of time spent on marketing and prospecting for new business. For example, if a business owner usually devotes 10% of his or her time to marketing and sales, this figure might be increased to 25% if the economic doldrums continue. Plan out the marketing activities for the rest of the year with this in mind.

Do some brainstorming with the business-management team. Then coordinate these ideas with the assistance of business advisers.