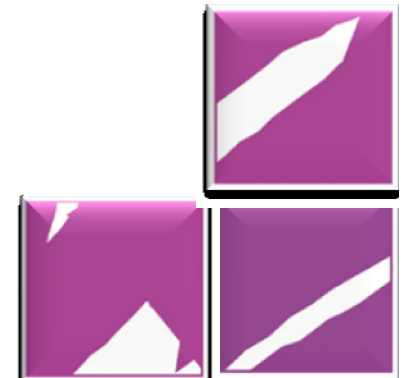


The SMART Guide

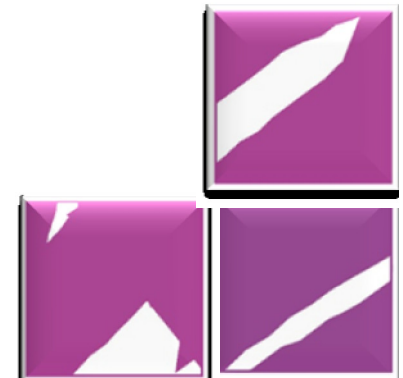
Surviving and thriving in the
current economic climate

November 2008



As bad as it seems?

- Increasingly gloomy headlines
 - “Credit Crunch”
 - “Housing market collapse”
 - “Unemployment reaches 11 year high”
 - “Billions needed to bail out banks”
 - “Pound declines on poor outlook”
 - “Stock markets plummet”



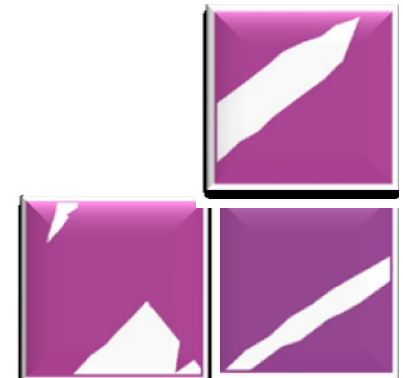
As bad as it seems?

- **BCC Quarterly Forecast**
 - **UK public finances have deteriorated sharply**
 - and the fiscal deficit is forecast to be considerably bigger than Government predictions
 - **Total Government borrowing may total £111 billion in 2009/10**
 - or 7.6 per cent of GDP, a huge deficit with serious risks for the UK
 - **Five consecutive quarters of negative GDP growth expected**
 - **Distinct risk of temporary deflation at the end of 2009**
 - **Unemployment will hit nearly three million by mid 2010**
 - **Pound may plummet to dangerous new lows**
 - if the markets interpret Government's fiscal strategy as reckless
 - **A credible stimulus package required**
 - must focus on business tax cuts with reductions in National Insurance the most effective means of avoiding sharp unemployment rises; and
 - **Government to play lending role?**
 - may have to play a direct role in provision of finance to business if credit markets remain paralysed.



The SMART Programme

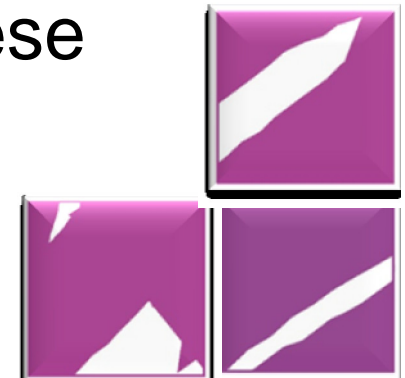
- Don't panic but be realistic
- Stay positive but remain vigilant
- Look for the best whilst preparing for the worst
- It is all about caution not contraction.
- Always be aware of opportunities
- Look outwards not inwards
- Cut costs not corners
- Be flexible
- People are still important



Planning & Reporting

Plans and reports should focus on the following

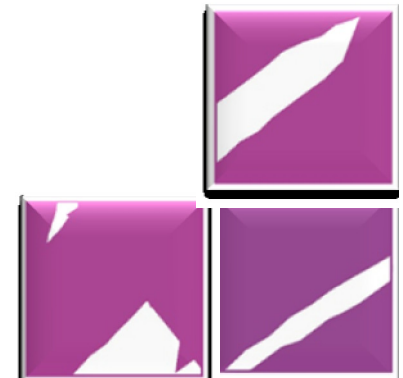
- Business Strategies, Goals and Targets
- Understanding your products and their market place
- Understanding the financial shape of the business
- Key performance indicators (financial and non financial) that show progress against these targets



Planning & Reporting

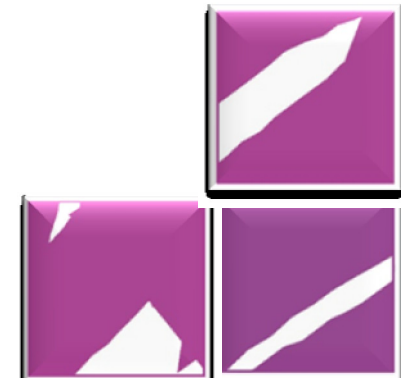
Should be monitoring things such as

- Cash flows
- Which products are making money
- Break even points
- Overhead costs
- Stock turnover
- Debtor days and debtor collection



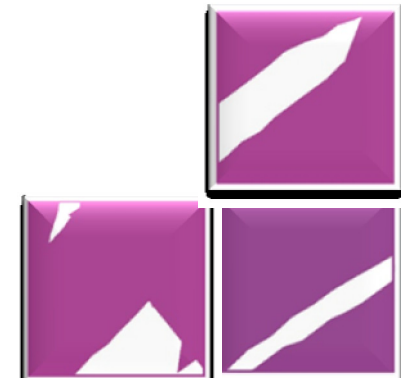
Back To Basics

- Cash Is King – avoid bad habits!
 - Debtor management
 - Stock management
 - Creditor management
- Financial Controls
- Management reporting
 - understand your profits and losses



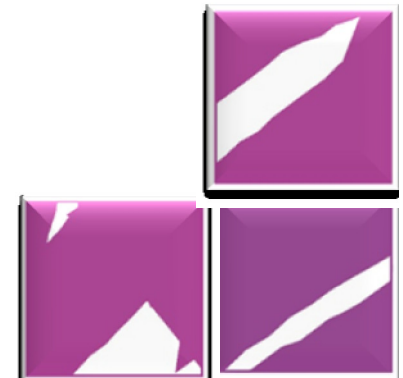
Debt Collection

- Credit Control Procedures
 - Make it easy for people to pay you!
 - Issue invoices promptly and avoid errors
 - Provide bank details and encourage automatic electronic payments
 - Chase before due
 - Take action immediately when overdue
 - Have an answer for all the excuses
 - Credit checks and credit insurance
 - Watch out for late paying customers



Other Cash Management

- Take full credit from suppliers
 - (but don't abuse!)
- Lean and mean approach to stock
- Bank relationships – keep communicating
- Avoid surprises!



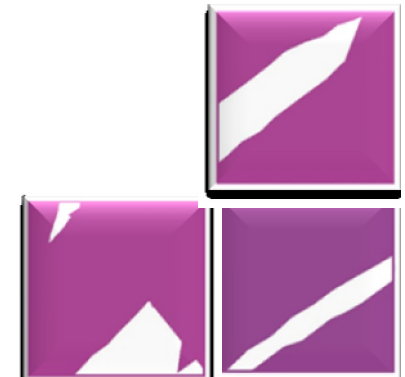
Cost Cutting

- You can't control your income but you can control your costs
- Understand your cost base and what it influences
- How costs are incurred and who incurs them
- Be strategic not reactive
- Zero based approach – nice to have versus need to have



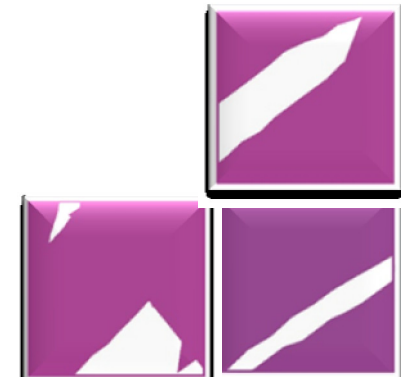
Cost Cutting

- Buy better
- Work more efficiently
- Better control
- Underperforming products and services
- Cuts costs – not corners!



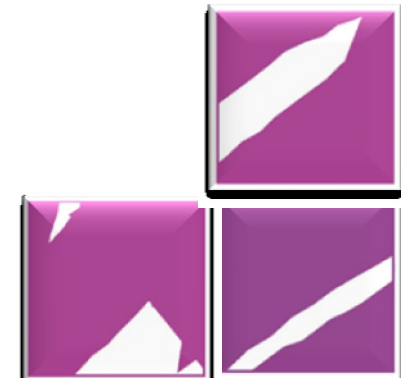
Finance Options

- Not so many options now
- Review financing structure
- Alternatives to overdrafts and loans
- Long term investment
- Finance for expansion
- Avoid borrowing to survive



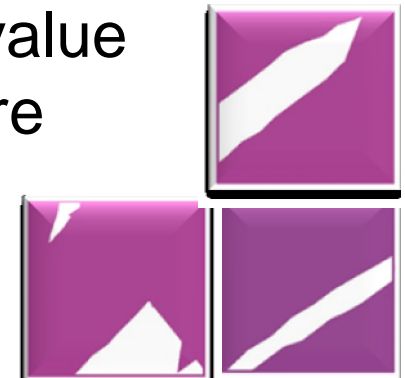
Sales & Marketing

- Key message – don't cut back on marketing
- Look to better measure its effectiveness
- Remain visible
- Don't turn inwards – look outwards
- Can you do it better?



Sales & Marketing

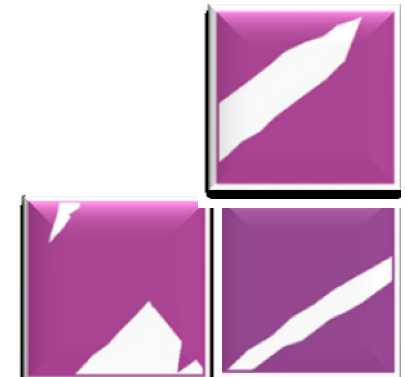
- Re-examine your sales processes
- Information about sales and more importantly margins
- Understand the costs of servicing a customer
- Use this information to orientate and incentivise your sales team
- Look after your good customers - Get rid of your bad ones!
- Avoid becoming dependent on one or two customers
- Look for new customers and new ways to sell to existing customers
- Targeted price increases - enhance customer value
- Don't rush to cut prices to maintain market share



People

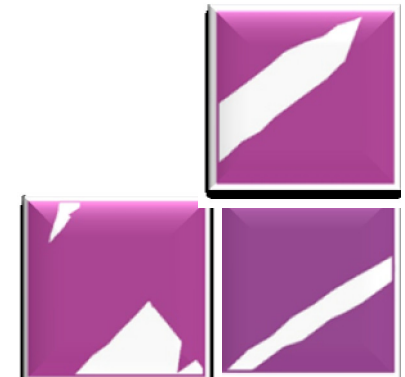
“People are our most important
asset”

Now is the time to prove it!



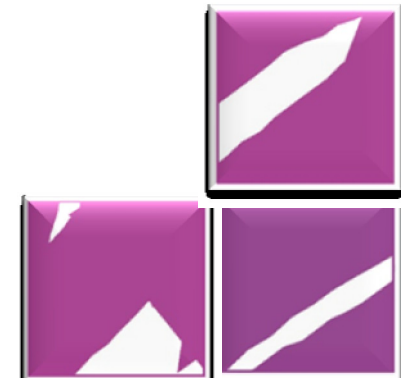
People

- Be honest about the situation
- Show leadership and communicate
- Ask for help
- Consider alternatives
- If must cut staff do it properly
- Deal with the survivors
- Look out for new talent



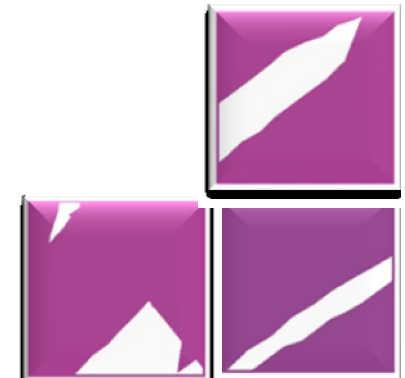
Corporate Activity

- Good time to acquire another business
- Bargains galore?
- Weak competitors
- Caveat emptor
 - 70% of acquisitions fail to take advice
 - Be honest about your motives
 - Take advice and use professionals
 - Due diligence
- Selling your business



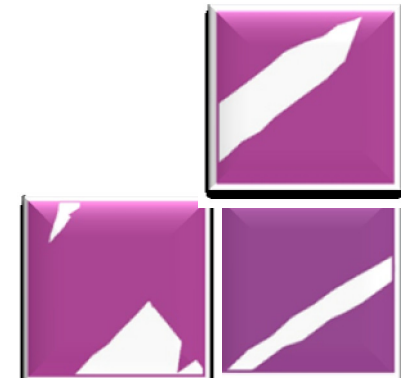
Win Win

It is still possible
to be reasonable and ethical
even in a downturn



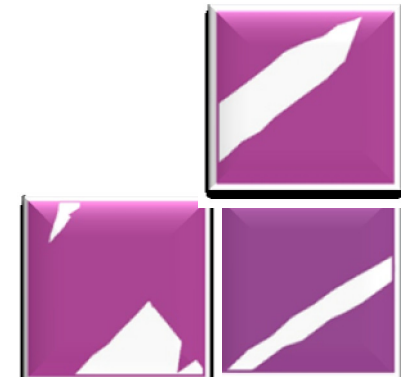
Bad Situations

- Be honest and take advice
- Take action now
- Manage business for cash
- Keep stakeholders informed
- Be aware of insolvency
- Know when to quit



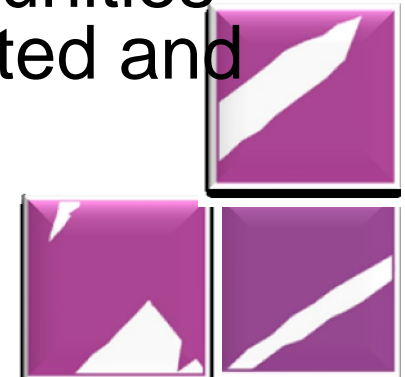
Conclusions

- You are not Superman/Superwoman
- Communicate
 - Customers, suppliers, employees, other stakeholders, banks, finance providers
 - Friends, colleagues, fellow networkers
- Read widely and don't be afraid to ask for and take advice
- 80/20 rule



Conclusions

- Plan, monitor progress and adapt your plans accordingly
- Reports don't have to be financial but need to relate back to finance
- Financial Discipline - tighten up controls and systems - get the basics right
- People and communication
- Be open minded and to look to change
- Remember there are always new opportunities and new markets to be discovered, created and exploited

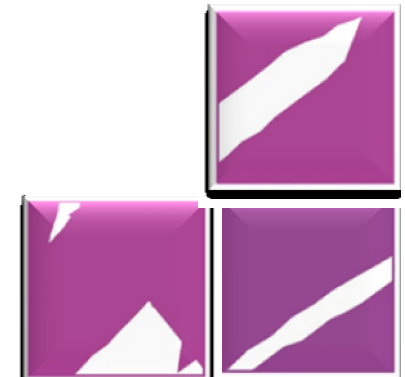


Conclusions

"I think what this time will do is weed out the rubbish. The good businesses will survive and get stronger and the rubbish will disappear. I think the economy needs that."

Phil Rolf (Greengrocer)

(source www.bbc.co.uk)



Conclusions

Jack Welch 3 key business performance measures

- Customer satisfaction
- Employee satisfaction
- Cash Flow



Orchard Growth Partners

The SMART Choice

