



Preparing for the unexpected: Managing and future-proofing your business in times of uncertainty

As a small business owner, you're in control of a lot of things. You manage staff, set the marketing budget, choose your suppliers and make a host of other decisions, big and small. But there are plenty of things you can't control that can have a massive impact on your business – like the state of the economy.

The outbreak of coronavirus has created a lot of uncertainty for business owners – how long this will last, what kind of policy or measure the authorities may introduce or how these may affect your business. While analysts and economists are warning of the imminent economic recession, the first worry for any business is that revenue will slump, particularly during these

unprecedented times when entire cities and countries are shut down. Consumer spending has slowed down and as we brace ourselves for an uncertain future, what can we do to weather the storm? How can small businesses get in front of some of the bumps that will no doubt occur as things get tougher, including slow-to-pay clients and issues with suppliers.

While you can't control what happens over the next few weeks or months, you can control how well you prepare for the unexpected. Here are six ways to manage your business through challenging times:

1. Challenge: Sales start to dip

Consumers cutting back on their spending is the first and most obvious impact. Different industries will feel the pinch at different times and in different ways, as consumers cut out what they don't need. Regardless of their industry, a business owner should think about diversifying their customer base and looking at different ways to sell. Relying on a few big customers or a single demographic – carries a certain amount of risk in stable economies, but becomes even riskier as sales decrease. Look at ways to attract a broader set of customers and meet the immediate needs of the situation. As restaurants revert to take-away only or brick-and-mortar stores look to sell online, the key here is speed. How can you operate differently to manage through the current situation?

Solution: Make it easy for your customers to buy from you. Introduce installment plans, if you are selling big-ticket items. If you own a physical store, consider setting up additional online channels for your customers to buy. Leveraging online marketplaces or social media can be a good start for smaller operations. If you already have an online store, why not consider expanding your sales to other markets.

2. Challenge: Big customers are slow to pay invoices

If you work with corporate customers or you're a service business that invoices clients rather than collecting payment at the point of sale, you'll likely find that those payments start to slow down, as we enter the period of recession that a number of economists are predicting. Make sure you've got a solid system for not only invoicing promptly but also following up with reminders on a regular schedule. This is also a good time to revisit your late fee policy – if you don't charge for paying late, should you start? If you do, should you forgive late payments from loyal clients?

Solution: Allow all of your customers to pay through card. Even though it may be cheaper to accept payment through a bank transfer, letting your customers pay with their card allows them to use the credit terms they have been offered by their own bank and may help reduce collection issues for you. There are solutions that allow you to simply share a designated link for your customers to pay online securely with their cards. Find out more about government programs to support small businesses and stimulate the economy.

3. Challenge: Revenue projections become uncertain

From a business perspective, the hardest thing about the current situation and indeed the impending recession is the uncertainty. You don't know when or how quickly the economy will recover, so it's almost impossible to predict when your revenue will start to rebound. Consider some creative tactics for boosting your sales or fighting seasonal slumps, which may be even more pronounced in a downturn.

Solution: Cut discretionary spending. To recession-proof your business, be very cautious about making large investments in expanding your business or acquiring new equipment. Look for ways to cut your overhead expenses, including rent, utilities, insurance, advertising and PR agencies, and anything else that isn't directly related to creating and selling your product.

4. Challenge: Suppliers are struggling

A recession will affect your vendors and suppliers, too. Some will respond the way you would – by cutting expenses where they can, pushing for prompt payment of invoices and looking for creative ways to build customer loyalty. But not every business will survive a severe downturn. Consider what would happen if you suddenly lost one of your regular suppliers or if your landlord decided to sell your building. The time to think through those scenarios is now, not when the downturn hits. Be prepared.

Solution: Strengthen your relationships – and build some new ones. Strong relationships will help you weather any storm. If you've been a good customer, you may be able to ask for a cost reduction in exchange for continuing that long-term relationship. But a recession is also a good time to look for alternate vendors and make some contingency plans.



5. Challenge: Staff morale begins to slip

In a small business, there's no hiding tough times from your employees. They are as concerned as you are that this situation is unpredictable and will have dire consequences. The safety and well-being of your staff should be the number one priority. They'll probably start worrying about layoffs long before you even consider them. How can you work with your employees to develop a more flexible, agile work situation? Can they work from home or be deployed in a different way?

6. Challenge: A heightened risk of fraud

An increase in orders taken by phone, email or instant messaging apps will, of course, provide an immediate solution to businesses forced to close their doors, but the risk could outweigh the return when small businesses are met with fraudsters. Taking the risk of accepting the card details over these channels and not obtaining authorization from the cardholder by signature or PIN does not guarantee the cardholder's authorization for the transaction. If the card is stolen, the business owner could end up incurring chargebacks.

Conclusion

Sooner or later, every business will be impacted by the current situation and will be forced to weather an economic downturn. A prudent business owner always keeps that in mind. The idea is not to let fear of hard times keep you from taking any risks to grow your business, but to think about ways to recession-proof your business in advance, so you're not left scrambling as consumer spending starts to slide. You may not be able to control the evolution of COVID-19 or the state of the economy, but you can control how prepared you are for a bad quarter or a bad year. Ultimately, planning ahead and responding swiftly to market changes will give you the confidence to face any kind of storm and uncertainty.

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Solution: Be transparent, be flexible, and be caring and consider layoffs as a last resort. Managing staff morale is crucial to getting through a recession. You don't have to open up your books to every employee, but do make sure you're being honest with your staff about the challenges you're facing. Look for ways to reduce your staffing expenses without actually cutting jobs, if you can. Layoffs are always an option, of course, but your staff will be grateful if they see you working to save their jobs. There will be light at the end of the tunnel, and you want to make sure you have the right people in the right jobs when things start to turn around.

Solution: Stop fraudsters, not customers. There are simple plug-and-play payment solutions with built-in fraud prevention tools and settings that allow you to safely accept these types of card-not-present payments. Also, pay special attention to any unusual purchase patterns or requests from your customers:

- Any person who asks to buy goods that you do not usually offer
- Requests to provide cash-back on debit or credit card transactions
- Single orders from overseas, followed by large and repeated orders from friends or associates of the original purchaser
- Anyone who offers numerous credit card numbers to complete a transaction

Apart from chargebacks, you may run the risk of being in breach of your merchant agreement. Please be vigilant.