

Restart your business engine

By [Stephan du Plessis](#)

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Right now, most owners of small and medium-sized businesses have been out of business for several weeks. Some have been able to continue paying their employees, their rent, their utility bills, their creditors - others have not.



Stephan du Plessis, an independent corporate advisor

With another business-less period to come, there is little doubt that most businesses are going to face severe financial challenges. Sadly, many businesses will not recover from this blow.

Here are a few practical steps that could assist in restarting the engine of their businesses.

Now is a good time to think about your business

Few SME business owners ever have or take the time to reflect on their business – especially, to analyse its strengths and weaknesses and identify opportunities and threats. It would be good to do so during this period of enforced closure. Apart from understanding the business and its environment better, a SWOT analysis will be very helpful in devising a strategy for recovery and growth once the lockdown ends.

Devise a re-opening strategy

It is important to plan properly for reopening. Many businesses are going to need significant working capital investment with no or little recent operating cash flows to fund it. If a business has to be re-stocked (think restaurants, boutique clothing stores with season change etc.) this investment requirement can be substantial, and it is critically important to have a funding plan in place. In this regard, the SME grants and loans schemes that have been devised could be very helpful, but those sources are limited and not all SMEs will be able to access them.

Most banks are offering some sort of payment holiday on existing debt, which could help with releasing cash to invest in restarting. A word of caution, however: payment holidays do not equal free credit – interest will accrue and be added to the capital sum outstanding, which in turn will mean a higher repayment amount in the future.



Payment holidays explained

15 Apr 2020



For investors, interest compounding is a friend, for borrowers, not so much! Rather try and access some of the interest-free debt offerings to fund re-opening investment (and even to service bank debt!).

Another logical strategy is investing in a limited range of stock (best sellers) initially and then gradually expanding the product range as cash flows improve. Restaurants could, for instance, reopen with a slimmed-down menu instead of offering options that are only ordered by say 1% of patrons but require stocks to be kept on hand.

Inevitably in most businesses, there will be slow-moving stock on hand when the business opens its doors again. Get rid of this stock to generate cash for investment in stock that can be sold profitably and quicker, even if you must have a re-opening discount sale to turn that stock into cash. Right now, cash is king! It would also help with the next point to consider.

Have a plan to get customers back into your business

Customers will need to be enticed back into spending money after about five weeks of spending mostly only on essential items. Remember that they are almost without exception going to be financially worse off after the lockdown. Be innovative about ways to attract them to your business and once they are there, make sure they are treated like gold (to you that's what they are).

Do not be scared to offer individual discounts or general special offers, even if you don't generally do that – you want them to associate your businesses with a pleasurable experience and in a difficult economic environment, saving something at the point of sale is a very pleasurable experience.

Communicate with your creditors

Everybody would like certainty and a visible route going forward. Creditors also have businesses with the same challenges as yours and are also worrying about cash flow. Contact your creditors (preferably with spoken word) and discuss how you might be able to settle the outstanding amounts. Trust me on this, both you and the creditor will feel more comfortable if a clear way forward can be agreed.

Communicate with your debtors

If customers owe you money, reach out to them to have similar discussions to the ones you have with your creditors. Be

prepared to compromise to the same extent you expect your creditors to compromise!

Communicate with your employees

Your employees are also facing challenges and uncertainties. Do not be afraid to reach out to them, understand their individual situations and reassure them as much as you honestly can.

Once your reopening strategy has been formulated, inform your employees – without them and their support your plans are most likely going to fail. Make sure every employee knows what is expected of him or her from the beginning.

Plan properly for reopening and then just do it!

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