



Recommendations to ensure your business flourishes in the downturn

1. Profit is the life blood of a business

While people are saying 'flat is the new growth', in reality you must continue to plan to make profit and cut costs to ensure this. Make sure you challenge your self on every bit of expenditure you make.

2. Income

Focus your efforts on income streams, whether from existing client base or new ones. Drop costly pitches or ones where the chances of winning are slim. Remember it is cheaper to drive more income from your current client base, can you develop new income streams from them? As overall marketing spend is decreasing you will need to increase your market share to just stand still. Monitor job profitability and understand which clients make you the most money. Consider dropping clients that are costing you money - unless they bring you fame or may grow into profitable accounts.

3. People costs

People are your biggest variable cost. Set and monitor KPI's, e.g. gross income per head or ratio of staff costs to gross income, and then stick to them.

Don't necessarily look to freelancers as the easy cost saving – challenge yourself as to whether there are permanent staff past their sell by date that should go first. Be creative. Some agencies are implementing a 4 day week or unpaid holidays or sabbaticals for staff. Communicate openly and these measures can work.

4. Financial information

Timely monthly management accounts are important to make the right and realistic commercial decisions from. Review amongst the key management team and create forecasts with sensitivity analysis. The key is to take action!

5. Balance sheet

Build or keep healthy reserves. In normal times 3 months of overheads in net current assets might be enough but in current climate build to 6 months.

6. Cash is king

Cash is the oil that keeps business flowing. To ensure it remains fluid bill often and small if necessary to increase speed of approval. Focus on credit control and run credit checks especially on overseas clients. Run cash flow projections and monitor shortages.

7. Funding

Keep talking to your bank. Make your covenants. Stay on top of your cash flow forecasts. Negotiate with landlords. Look at other possible investors: family, friends or shareholders.

8. Best advice

Get good advisors on board – accountants, lawyers, HR advisors and consider hiring a non exec with industry knowledge.

9. Have a plan

Whether twenty pages or one page – have a plan for the survival of the business throughout the downturn. Bring it to the board meeting and review it in line with your management accounts. Maybe focus on a few key survival points. Above all be realistic.

10. Good leadership

Behave in the way you want people to copy. Confidence breeds confidence. Communicate openly whether good or bad news clearly to both clients and staff. Celebrate success.

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