
PART I OF OUR SPECIAL SERIES

7 WAYS TO HELP YOUR SME SURVIVE & PROFIT

During The Economy Downturn



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OVERVIEW

2020 Recession in Asian economies and Singapore

2019 has been enduring a weak growth in financial markets and the global economy, including Asia.

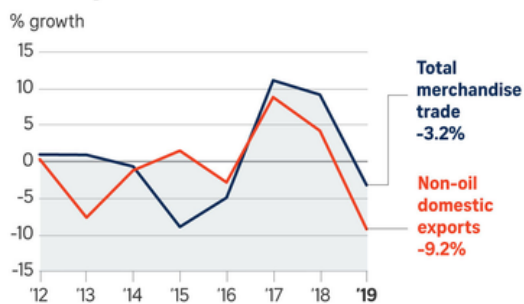
Most recently, due to the corona virus outbreak, the global economy remained fragile and has been forecasted to worsen throughout the year with increased market volatility and mounting uncertainty.

The outlook for the Singapore economy has weakened since the last review in November.

Singapore is not immune to external factors that pose challenges to its economic systems, especially since the system is constructed to be open and trade dependent, implying vulnerability to any unexpected global shock.

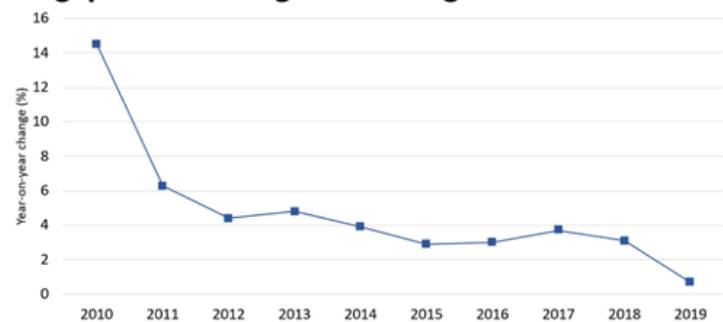
In particular, the Covid-19 outbreak is expected to affect the Singapore economy through several channels. The impact of the virus outbreak on Singapore's economy has already exceeded that of Sars (severe acute respiratory syndrome) back in 2003, Prime Minister Lee Hsien Loong said on Friday, warning that a recession is definitely a possibility.

Trade performance for 2019



Source: ENTERPRISE SINGAPORE
STRAITS TIMES GRAPHICS

Singapore's slowing economic growth



SOURCE: Department of Statistics Singapore



According to Singapore Commercial Credit Bureau (SCCB) recent Business Optimism Index study, local business confidence is at a near two-year low for the final quarter of 2019, this is in line with the latest findings of the SBF-Experian SME Index which shows dampened optimism among small- and medium-sized enterprises (SME) for the next two quarters.

The job market has also taken a hit. Workers face weaker hiring prospects as employers turn cautious; unemployment has also inched up in the first half of this year, according to the Ministry of Manpower.

The softer job market has made it harder for workers to find a job within six months of being laid off.

(Channel News Asia)

In the Singapore Chinese Chamber of Commerce and Industry's (SCCCI) annual business survey, nearly two in five or almost 40 per cent of respondents predicted a drop in revenue, higher than the 26.8 per cent a year ago. Just over 82 per cent of the businesses polled said expanding the topline was their key concern.

Respondents also said that in addition to the dent in profits, they were also bracing themselves for a hit to profit margins.

OVER HALF OF THE BUSINESSES SAID THEY ARE EXPECTING A DECLINE IN MARGINS THIS YEAR, UP FROM 45.4 PER CENT LAST YEAR, REVEALED SCCCI ON WEDNESDAY. IT SURVEYED 972 RESPONDENTS, OF WHICH 95 PER CENT WERE SMES.

(THE BUSINESS TIMES)



INTRODUCTION

Can Singapore businesses thrive in these tough economic times? How?

The number of distressed small and medium-sized companies (SMEs) is increasing as Singapore's economy goes through a downturn.

They are in a state of poor financial health. When that happens, they need external help whether it is to restructure the business model or in terms of funding for an operational turnaround.

Every business can go through volatile financial situations where other market forces have uncontrollably forced them into adversity. Even the strongest and healthiest companies can collapse in unprecedented situations.

The government has been helping enterprises address their business challenges, however not all businesses qualify.

SMEs need a concentrated plan that is customised and devised in turning around their business, also, the execution of these plans have to be meticulously done.

The Government can provide funding support in the initial years, however the continuity and success of the business depends on a large number of factors following on.



Today, many SMEs are not coping well, as they have obsolete and weak business models.

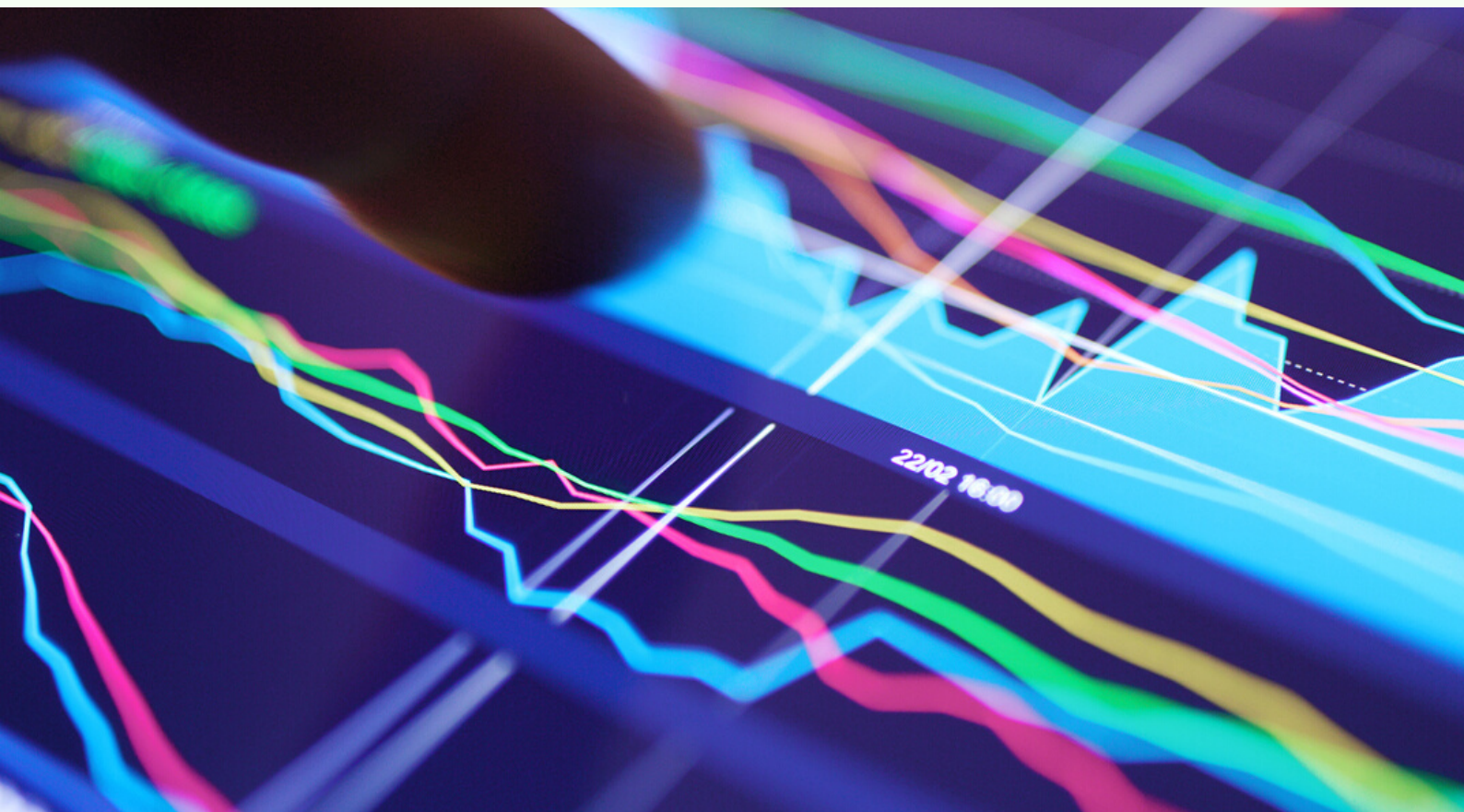
The key to successful corporate turnaround is early intervention. However, SMEs shy away from seeking help early. They also do not know where to turn to for assistance in a corporate turnaround. The rescue centres will be the de-facto corporate hospitals where they can get help.

Singapore dollar bonds worth \$22 billion are callable or due to mature this year, exposing issuers and investors to refinancing risks as borrowing costs rise in the US, according to a Reuters report. Banks have grown wary of lending.

It was also reported by another source that about 42,000 businesses closed down in Singapore during the first half of last year, compared with 49,000 during the entire 2015.

(The Straits Times)

In the next chapter you will learn 7 ways your business can still thrive during economic downturn times, how your business can turn around to climb steadily and rise afterward this period.



CHAPTER 1:

Protect Your Cash Flow

Many new or small businesses struggle because of cash flow volatility.

Bank financing may not be an option for all businesses who experience cash flow downturn for a multitude of reasons.

Cash flow is the main entity that sustains any business.

Every business has payment delay from clients and customers, and if a small business does not have proper cash flow management, it may be faced with trouble.

Here are some ways you can protect your cash flow:

Establish Shorter Collection Periods

There is a direct correlation between how much a business can invest in its own growth and its DSO (Days Sales Outstanding), which is crucial to its ability to stay in business and thrive against competition.

In accounting terms, the DSO is the time period it takes a company to collect on invoices.

If a company takes too long to collect on outstanding invoices, the cash flow is negatively impacted and businesses surviving on slow cash flow are subject to an inevitable loss.

However, a short turnaround on collecting receivables means the company will be positioned to reap profits more readily and re-invest those profits in its continued growth.

(Black Enterprise)



Speed up cash inflows

Establishing short periods of time to collect receivables is just the beginning of getting paid, but it's not enough. Getting money into your business more quickly can save you carrying costs on your line of credit.

Send out invoices more quickly, ask customers to pay electronically and charge interest to slow-payers. A company must proactively go after its money while taking measures to safeguard against any unforeseen circumstances.

Finance should be on alert that all invoices are sent accurately and on time, with payment terms and due date communicated clearly.

Extend payables as long as possible

Get the best deal you can on your payables. In contrast to receivables, get the best deal you can on payables.

Extend your payables to net-60 or net-90 if you can. This will give you a higher cash balance but will also increase your debt.

Some suppliers charge late fees, however, so make sure you pay on time to avoid being penalized. This is another reason it's important to have a healthy cash reserve on hand.

If you owe suppliers and suddenly run out of money, you're going to damage your supplier relationship and potentially lose your best supplier.

They can also withhold your next shipment, which can interrupt your entire operation.
(intuit quickbooks)

Secure Incoming Funds With The Best Borrow Options

Cash flow shortages occur when more money flows out of your company than into your company.

One way to solve the problem is to find a way to bring money into the business. You can do this with a business loan or a credit card advance. Before you take on business debt, however, be sure you understand the interest rates and have considered all other options and are not making a decision that will simply kick the problem down the road to be addressed at a later date.

If your business has an intrinsic problem causing your cash flow crisis, then taking on debt will only put a band-aid on the problem and make the problem worse in the future.
(Growthforce)

CHAPTER 2:

Do Not Cut Back On Marketing

In troubling times, businesses make the mistake of cutting down their advertising or marketing budget or even eliminating it entirely.

However, according to proven statistics historically, these are the times your small business most needs marketing.

During economic recessions, consumers tend to make changes in their buying decisions, perhaps looking for a cheaper or more versatile option.

Here is where businesses use marketing to help prospects find the most suitable product.



So don't quit marketing. In fact, if possible, step up your marketing efforts.

A strategic marketing plan is the road map for sales success.

The first step towards a successful marketing is having a strategic marketing plan, ideally crafted by marketing professionals.

The plan has to be implemented and tracked consistently, modified to perfection with successive progress.

If your business needs help, contact us. Being a long standing agency of 13 years, we can help you see your profits increase by 30% in 3 months.

CHAPTER 3:

Build Up Your Cash Reserves, Handle Your Debt

Pay off business debt as much as you can.

Having no debt is the secret to success but we understand it might be easier said than done.

However, it also goes without saying that high levels of debt will rack up eventually, suffocating the business with increasing interest rates.

Hence, build up cash reserves for your business. Get a professional opinion.

Hiring a personal or business financial planner is a savvy investment.

Sometimes, goals that feel like a bit of a stretch are usually the ones that motivate us to push forth and further.

It might take years and some help, but you'll eventually experience the power and freedom of owning a business that isn't controlled by debtors.

Finally, set realistic yet optimistic financial goals for the business.

Debt Relief Options

SERVICES YOU CAN OFTEN HANDLE ON THEIR OWN

1. Tracking Your Spending
2. Using Budgeting Software
3. Refinancing Your Mortgage
4. Renegotiating Your Credit Card Bills

01 Debt Settlement

- Negotiate with creditors to settle for less than the full amount owed.
- Works best for those with significant debt.

02 Debt Consolidation

- Combine multiple debts into a single loan with a lower interest rate.
- Provides a more manageable payment structure.

03 Credit Counseling

- Free, non-profit counseling services are available.
- Can help negotiate with creditors and provide budgeting advice.

04 Bankruptcy

- Help with paperwork, call a professional for negotiating payments and interests.
- Minimum Debt: If you're filing for bankruptcy, having a debt that is high and otherwise not repaid may be necessary.

05 Debt Management

- Improve Your Credit Score: A DM can help you get payments on track and can ultimately improve your credit score.
- Lower Interest Rates: There is usually an arrangement and maintenance fee.

CHAPTER 4:

Optimise Operations & Management, Focus On Decision Making

Revise your company's operational processes, any process that is non-profitable should be removed immediately.

Use tools and automation to optimise operations and management processes that can increase efficiency and reduce costs in the long term.

Start looking out for online solutions and digital means that can help your business increase output with lesser production cost.

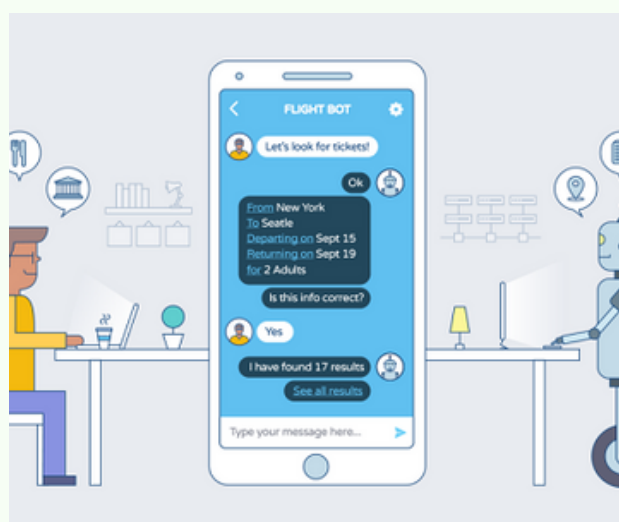
Many online solutions are easily accessible, effective and also help reduce costs.

Finances of SMEs are characterized by high complexity, yet are low scale.

Thankfully, the rise of fintech has led to the introduction of solutions that are efficient and effective at lower scale.

“This trend has the potential to become a game changer for small businesses,” according to a report by the World Economic Forum. “The overall potential of fintech for small business and thus for the economy as a whole seems tremendous.

”Now, it is easier than ever for smaller businesses to use disruptive new technology to find and engage with trading partners, gain funding and utilize data to maximize sales and customer retention
(Fintechtechnews)



CHAPTER 5:

Reduce Expenditure Wisely



When trying to reduce costs and boost customer satisfaction and profits, first measure and analyze what's currently being done. A good operations audit enables you to measure warehouse productivity and other important metrics to identify patterns and trends. It also allows you to complete both internal and external comparisons. Once you gather the data and make comparisons, you'll be able to draft an action plan for improvement.

(F Curtis Barry & Company)

Also, reduce rental. If you acquired space with an additional cost that is more than needed, a recession is a good time that your business secure a cheaper rental deal in order to reduce drainage on resources. Go through inventory costs to see what can be greatly reduced and eliminated, without sacrificing the quality of production and affecting business. It is time to revisit all suppliers and orders to see if you can get a better and cheaper deal elsewhere.

Things might have been a certain way for years, but an economic downturn is a time where you have to adjust and move on to other offers that positions your business in the best financial space and save money regardless what it takes.

CHAPTER 6:

Win Your Competitor's Customers

During hard times, many businesses reduce advertising and promotional expenditures rather than slash fixed costs.

However, studies have shown that those maintaining or increasing marketing spend during economic slowdowns end up outselling rivals in the market who cut back.

Expert marketers can strategise to help a business boost sales and market share, even when the industry is going through a bump and slide downtrend by focusing on recession marketing techniques, doing a deep dive of the target audience's recession behaviour and then targeting them accordingly in response to the economic climate.

Monitor your competitors' marketing.

If they're cutting down, seriously consider increasing your ad budget and hitting harder.

This will provide a great opportunity to capture and retain a larger share of the market.



(Mercdigital)

Marketing to the competition let's you access leads that are already into the research stage of making a purchase – people who have been exposed to your competitors' advertising and are ready to find out more.

Or consumers who already know enough about a brand to have searched for them online.

They are part way along your competition's sales funnel. If your small business is going to prosper in tough times, you need to continue to expand your customer/client base - and that means drawing in customers from the competition.

How can you do this? By offering something more or something different than the competition does.

A market that's already crowded has less scope for expansion. It is essential to offer something unique to your customers in order to build your own niche and minimize the existing competition.

(The Balance SMB)



CHAPTER 6:

Focus On Your Business' Core Competencies

Position yourself with great value, and you'll outlive the recession.

During tough times, there will always be competitors slashing prices to drive more demand and snatch market share with you.

Businesses hence get into a bidding war to see who is willing to lose more money by making deeper price cuts.

That is never a good nor sustainable tactic. Instead, change your marketing positioning to enhance and bring light to your true value.

The idea is that many small businesses try to be a one-stop solution and a huge diversified business that attempts to conquer every service, they eventually end up underperforming at everything because of the lack of resources across too many varied areas.

This is especially ineffective for a SME and the solution is outsourcing.

Avoiding expenses and being cost effective are not necessarily the same thing.

The key focus is to be more productive at the end of the day and we should not save money in the wrong areas and make the costly mistake of spreading ourselves too thin.

In many cases, they are far better off outsourcing some of the most basic needs of the business.

Outsourcing enables the focus to be on core competencies, allowing us to deliver the most value to our customers.



CONCLUSION

As though the looming recession in 2019 has not caused businesses in Singapore to suffer enough, the recent coronavirus outbreak is reported to deeply impact Asia Pacific economies, leading growth to plunge to its lowest in the last 10 years.

The key to surviving a recession is cash.

Operating expenses usually must be reduced when sales are down, and frequently that entails layoffs or furloughs. That's unpleasant, but the companies most likely to survive are those that act quickly.

Knowing it's easier said than done, we are more than willing to help.

Backed by experience having served more than 500 clients over 15 years of business, trust us when we say, iFoundries deeply understands your challenges.

Through our partnership with **CAPITALL**, Singapore's leading financial partner, who is ever ready and committed to building a community of support for SMEs to rely on and gain access to the funding they need to succeed, we are able to bring a full suite of marketing and online solutions with added financing support to SMEs who need help to tide over this lull economic period.

We are happy to answer any further queries. Good luck!

www.ifoundries.com

