



EMERGENCY BUSINESS TRIAGE

BEST FOOT FORWARD

By Liza Jones

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In the current exceptional circumstances, with COVID-19 running wild across the planet, as a business owner or director, you may feel like a rabbit caught in the headlights, but it is important not to panic. Far better to stay calm and logically view your various options. Here is a selection of steps you can consider. Choose those best for your situation and then take effective, prompt action.

Many firms face the real possibility of business failure at the moment. And there is no text book to turn to. Now is the time to be creative and seize those quick wins. Even if you have lost almost all your revenue overnight, your aim is business continuity: to keep things running while you batten down the hatches, until you can return to something like normal business.

There is a number of things you can do to mitigate the impact of Coronavirus. So now is the time to determine which strategies will give you the best chances of business survival, and then prioritise their implementation.



BE PRO-ACTIVE

Never has it been truer that cash is king. Businesses don't go bust from a lack of orders – they go bust from a lack of cash. A full order book is of little value if you can't complete those orders or get your invoices paid. There is an urgent need to keep costs down as much as you can, but no one is going to knock on your door and offer you help. Even Government grants and loans have to be applied for.

If you belong to a Chamber of Commerce, business club or have a trade association or similar, make full use of your subscription. Many will have a raft of guidance services, usually free to members, to help you select which options might be best for you.

CHECK GOVERNMENT FUNDING

Adequate finance is fundamental to the survival of your company, so this should take priority in your strategies. Many previously sound, profitable, well run

firms have been knocked sideways either by being forced to close by the government, or losing their client base as customers cancel orders while they self-isolate.

Look at what government grants and loans you might be eligible for. This is a complicated situation and is currently changing almost by the day, but there is a wide range of funding available for many firms, employees and the self-employed to help alleviate at least some financial worries caused by the current situation. Business Clubs, Chambers of Commerce, Trade Unions, local Councils and Government departments are all pushing out information online. Many are running informative webinars.

Similarly, professional advisors, such as solicitors and accountants, are letting clients and others know of the possible ways to deal with the challenges they may be facing and ways to help them survive.

LEAD YOUR TEAM – LISTEN TO YOUR EMPLOYEES

People are understandably apprehensive and concerned at this time, especially as we are in uncharted waters. No one knows what will happen in the next few months. So, as a business owner, now is the time to lead and support your team.

Although they might be self-isolating, they will welcome reassurance and guidance. You may need to advise them on how best to work from home while still being productive. An additional factor for many is that their children will also be at home, so somewhere to work without distractions, if at all possible, will be very useful.

Help them establish routines to create certainty in the day. A planned daily timetable similar to the normal office schedule, with regular meals and bed times, will help here.

Keep in touch with team members, perhaps with a Zoom call each morning. Let them know what is happening, and what you decide to do. Ask them if they have any suggestions. You want their loyalty at this difficult time, and they may well have creative ideas or see positive routes to take that are less obvious to owners or directors.

Things will change during the coming months. Regularly review your strategies, and check back with team members to see how they feel and whether they have further inventive contributions to make. Certain individuals might need extra support to ride the waves, especially if working alone is new to them. A University College London study in 2016 found that stress is at its highest when the future is uncertain. Keep an eye out for any signs of mental distress as you all find your way. You may have experience that can be passed on to help others cope with the changes in circumstances.

If your orders and revenue have dried up, find out whether you are eligible for government support. The 'furlough' scheme, putting employees on temporary leave due to COVID-19, with the government making a contribution of 80% towards wages, has been extended until the end of April 2021. If you use this, explain what this job retention scheme means to your team. This may well help to quell their fears and allow them to feel more secure.

COMMUNICATE WITH CUSTOMERS/ CLIENTS

You want to keep your regular customers informed, so reassure them that once we are out of the woods, you will again be there to provide them with your products or services. Email your customers, or better, phone the key ones, and let them know that your business is OK.

"We know everyone is in trouble now, but we are taking steps to ride out this crisis."

Then let them know what you are doing to ensure as far as possible that they can still have your products or services. Or you may have to say:

"We are having to temporarily close, but we will be back just as soon as possible."



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If you can, offer them something online. For example, if you are a gym, you could run online courses free to all members. Or can you offer something so that they can use your products or services at home?

Now might also be the time to review your website. Is it easy to use for the first time visitor? Does it encourage visitors to stay and view several pages? Are there 'calls to action'? Can you offer them a free download - perhaps a guide or factsheet? Do you have items that you could sell on line, PayPal Buy Now buttons on the website and a PayPal merchant account to receive payments?

A growing percentage of people use a Smartphone or tablet to gain their information on products or services, so ensure that your website is user-friendly for all devices. Bear in mind the needs of disabled people. Can pages on your website be easily enlarged? Are there clear audio options?

In the present meleé, can you change your current offer to reach a different market, albeit temporarily? Often a small, lean business can adapt faster and shift gears into a new field more rapidly than large corporations.

One example is fish wholesaler Marrfish who normally supplies fish to leading restaurants and hotels, but lost its market overnight when these outlets were closed by government without warning. So they have repackaged their product as "Domestic Fish Boxes" and are now delivering to local homes; especially useful for those who are self-isolating. <https://www.marrfishhome.co.uk>

Photo courtesy Marrfish

If your team members start using their own vehicles to deliver goods or despatch post, check that they have appropriate business use insurance.

And if you are selling products that normally you would deliver, but because of self-isolation this is no longer possible, see if there are any logistics firms that have empty trucks on the return leg of their journeys when they could deliver products for you.

DEBT HOLIDAY FROM CREDITORS

For B2B firms, call all your creditors and say in the current crisis you have had to freeze all payments for six weeks because you are doing due diligence and seeing how you can save the company in these exceptional circumstances.

You can say, "You know the situation - let's do a freeze for six weeks." Most debtors will say "Well, I need the money too. How do you expect me to stay in business?"

But you can counter with "Look, we are doing the same with our customers. We are giving them the chance to pay either smaller amounts towards the debts they owe us, or if they clear all their debts with us now, we are offering them a substantial discount. Of course if they go for monthly repayments, we will arrange for this to be free of interest."

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You may well be surprised. In these unprecedented times some debtors will say *"Look, just pay me 20%, or 30% for now. As long as you pay me something for now and the rest later, that's fine."*

This will ease your immediate financial position substantially, helping the cash flow. Some debtors will in these circumstances accept only a proportion and let you off the rest. Even the utilities will often give you a debt holiday in the current situation.

If you don't ask you don't know what you might be able to negotiate. Most companies will not ask, but may just default on their debts, which is far worse.

It is very common that when an outsider does due diligence to assess the financial position in a company, one of the first steps taken is to stop all payments for a period, often six weeks, to see how debtors can be paid. Debtors will almost always say "yes" to a negotiation in terms because they would rather have part of their invoices paid than risk receiving nothing.

Talk with your suppliers. If they have product that your customers are wanting, see if you can renegotiate terms. Will your suppliers let you delay payment until your customers have paid you? If you are a good customer with a long term relationship, they may be willing to work with you.

Or look for new suppliers with better prices and payment terms.

COLLECT ALL DEBTS OWED

If you have clients that owe you money, it is time to call them up. You need to collect all debts, but be reasonable. Phone them and ask them to pay the debt and when they say they can't at the moment, suggest they give you something. Ask them what they can pay, what they can give you each month, or each quarter, as part of the debt, and then set up a written programme confirming repayment terms.

Say you will not charge them interest on the debt – as you want a win : win position. Or if they find they can pay earlier, then offer them a 10% discount.

By negotiating a debt holiday with your creditors and concurrently collecting debts from those who owe you money, you can improve your short term cash flow.



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SECURE THE VALUE IN YOUR BUSINESS

Assets must be secured away from your creditors. If you have a manufacturing unit, or you are a construction company with plant, or a gym with equipment, all the buildings, plant and equipment that you have may well be owned by your company.

Provided there is no lien or debt on the property or equipment, you need to take them and put them into a new, separate limited company and lease these items back to your main company. This way you no longer own these assets in the main company, so if the worst happens and your company fails, you still have the value of these assets.

For those companies that have intellectual property, such as branding, images, designs and logos, the same approach can be adopted. You can set up a separate company to own the intellectual property rights, keeping them apart, and leasing them back to the main company. This is very common in many multinational corporates.

EMPLOYEES WORKING FROM HOME

While not possible for everyone, a large number of employees will be working from home at present. Once they are used to this, in happier times they are likely to just hot desk in the office when needed. Home workers have more control over their time, are often happier, more productive and better motivated.

As long as the work gets completed on time, within budget and to the right standard, does it matter where or how it is done?

Benefits of this flexible approach work both ways. Employees will usually relish giving up their daily commute with all the hassle and costs that entails. At home they may well start earlier in the morning, or run through until the evening, giving themselves a better work life balance and extra time with the family before children go to bed.

Those working at home no longer need office space, equipment or desks, reducing company overheads, although they may need to be provided with laptops and a contribution towards broadband and phone bills.

Email is ubiquitous now and people can be linked for video conferencing and meetings through Zoom, Skype and other similar programmes. And screen sharing can be very helpful when explaining complicated issues.

Although the 'water cooler' conversations are lost, there are plenty of opportunities to maintain contact. Email is fine for project orientated details, but don't rely on it for all communication. Pick up the phone for important business. Nuances in tone, or the vocabulary used can say much more than a bald email.

Ask open questions – those that can't be answered by a 'yes' or 'no', and take note of the replies. Listening is often a good way to ensure things are not being misunderstood, and gives you an opportunity to resolve any ambiguity or misapprehension.

Unless it is an integral part of your business marketing, it is best not to use social media as it might take credibility from your messages.

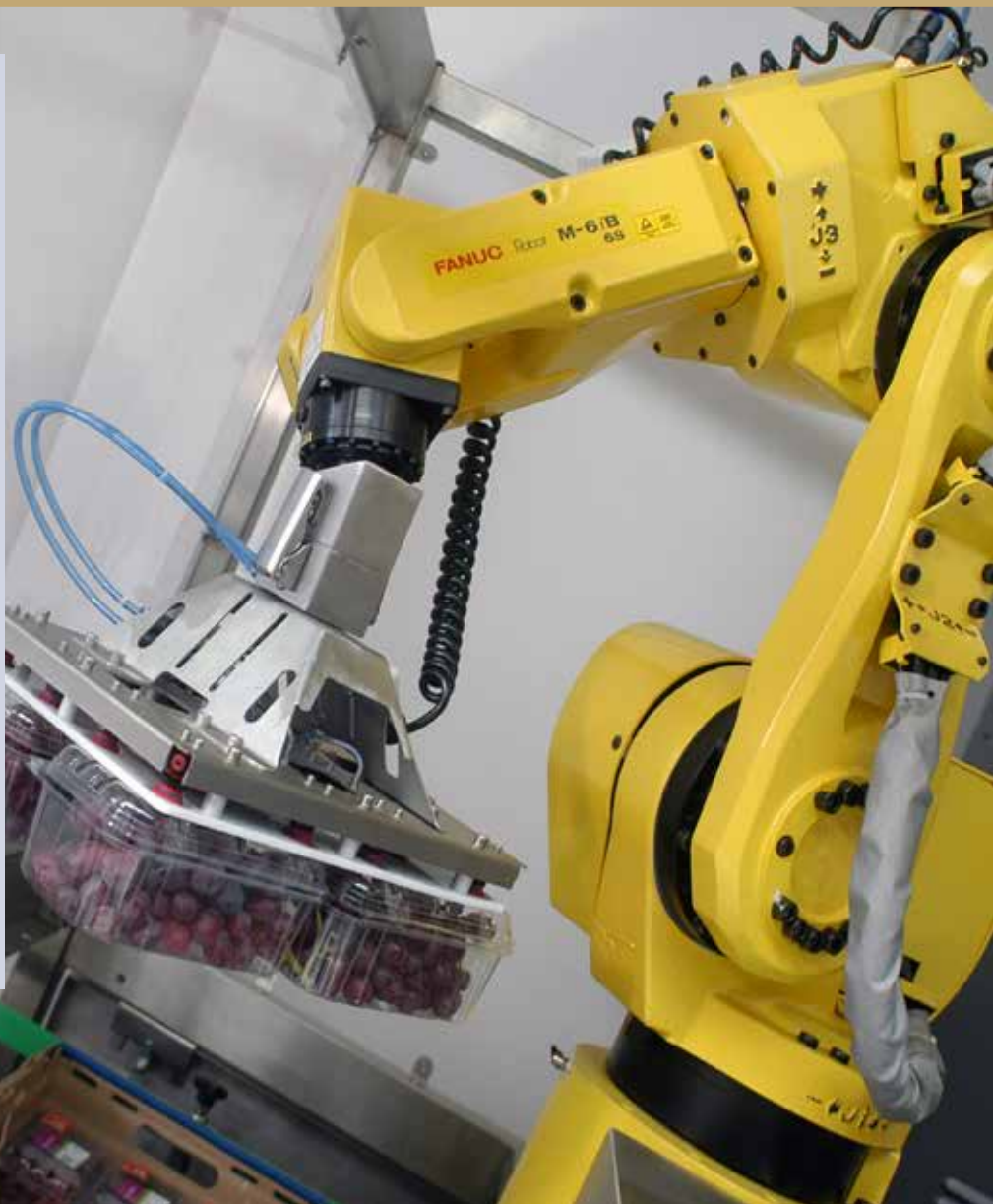


NEGOTIATE PAYMENT FREEZES

Contact your bank or other sources of finance and negotiate a payment freeze with no penalties on any borrowings. Again, if you don't ask, you don't know what is possible. For example, say you are only going to pay half the regular payments on the outstanding amount now, or freeze it short term, and the bank may well agree in the current circumstances.

CHECK DIRECT DEBITS AND STANDING ORDERS

Look at bank statements and identify all standing orders and Direct Debits. Do you need all of them, or are there some that you could cancel? Only retain those that offer value for money and pay their way.



REDUCE CREDIT CARD PROCESSING FEES

If you have a reasonably high volume of credit card sales, look at the card processing fees. Get quotes from other merchant account providers and if they are lower, ask your current provider to match those fees, If not, consider changing providers.

NEGOTIATE A LEASE FREEZE

If you have a lease, go to your landlord and ask for a rental holiday in the present circumstances. If you have never defaulted before, and especially if you have a good track record with them, say that in the current crisis, you need to change things, so ask for either a lease freeze or temporary reduction in rent. They are likely to want to help you stay in business as they would rather have part

of your rent for a few weeks or months than lose a good tenant. You might even find that the landlord will give you a rent free period for several months rather than risk having an empty building with no income.

CHANGE CREDIT LINES

Often businesses have lines of credit which while they may be flexible, can have high rates of interest. In addition, the lines of credit can be called in by the lender at any time, while a long term loan cannot. Go to the bank and convert the lines of credit to a long term loan which will have a lower rate of interest.

When things get back to normal you can, if you wish, go back for another line of credit and you still have the long term loan to help the cash flow.

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REDUCE OVERHEADS

You have to get rid of non-essential overheads that do not contribute to revenue, such as that water cooler. What do you have that you can survive without?

If you have LinkedIn paid subscriptions, you might not need them now, so cut back to the free version. What other subscriptions do you have? Are they all paying their way? If not, get rid of them. Don't keep them 'just in case'.

Look at regular orders such as stationery, and only buy what you need when you need it.

Look at everything and ask 'does it make me money, or is it just nice to have?' and if the latter, then you should get rid of it. Anything that does not contribute to revenue should be looked at very carefully.

Perhaps you can reduce expenses in your private life as well. Do you need that extensive TV package with all those channels?

REDUCE COST OF SALES

Hold a minimum of stock, only buying in or producing product when you already have orders. Do you currently have a stock of slow moving items for sale that you could sell at a discount or as special offers to your best customers to raise cash?

Obviously, with exhibitions and trade shows cancelled, you can cut back on some expenditure, but don't stop all promotions because you don't want people to forget you exist. Just run publicity through online channels and social media. And use commission only agents to sell your products or services.

If government has forced you to close for the time being, see if you can temporarily reduce or halt advertising and other marketing spend.

Look at past sales. Were they increasing, consistent or declining? If sales were stagnant or declining, use any down time now to review what changes you need to make in preparation for when the current situation improves.

Contact former customers to see if they might come back to you and place orders in due course. The more recently you have contacted a prospect, the more likely they are to remember you when they are ready to buy.

RENEGOTIATE YOUR MORTGAGE

If you have a mortgage on your business premises, get a new mortgage to replace the one you have, and put the new one into a separate legal entity – another limited company. Then either extend the term of the mortgage to lower the payments, or increase the amount of the mortgage so you get some cash out.

This is usually easy to do and cheap at the moment. And since you own the separate limited company which holds the new mortgage, you can set a mortgage holiday for your main company, aiding short term cash flow.

PROTECT CORPORATE SECURITY

Make sure you can log in to your website as an administrator and owner, and change passwords if you wish. Also ensure you can control who has access to the website. You don't want to be held hostage by a website provider or designer when you no longer want to use their services.

Similarly, ensure you can control all passwords and access for computers, laptops and other confidential data such as bank accounts.

CALL TAX AUTHORITIES

Reduced rates of 5% VAT were introduced last July for selected fields such as hospitality, hotel and holiday accommodation, and a variety of attractions, and this has been extended to run until 31 March 2021. But even if you are not in those sectors, you may have some leverage.

Call the tax authorities and ask for a stay of payments. Even in better times HMRC and the VAT Office are often receptive to a delay in payment just as long as you contact them and explain the situation.

At the moment there is a government scheme whereby companies can defer payment of VAT provided they are up to date with their VAT returns, they opt in to this scheme before the end of March 2021 and they pay the first instalment when they opt in. Then 11 smaller monthly instalments, interest free, can be paid by the end of March 2022. But do check that you are not automatically paying VAT by Direct Debit.



COMPANY CARS AND CAR INSURANCE

Look at the costs of company cars. Call the firm supplying your cars and see what better deal they will offer. Similarly, negotiate the best deal for car insurance.

Maybe you can arrange a group policy instead of single policies. Ask them "How can I reduce my insurance payments" but check first with websites such as Moneysupermarket.com so you go armed with the premium rates from there.

REDUCE INSURANCE PAYMENTS

If you are temporarily closed, call your insurance company and tell them you are not operating at the moment and ask for an insurance reduction while you are closed.

Do you have business interruption cover? Judgement has been upheld in the Supreme Court that policyholders are covered in the current crisis if they have been forced to close, subject to an appeal to the Supreme Court. And you can put the insurance on a payment holiday so the policies don't lapse. But don't cancel the buildings, contents or fire insurance!



ESTABLISH A ROBUST CASH FLOW PLAN

The most important step in these survival strategies is to establish a robust cash flow plan for at least the next 8 weeks to one year. You need financial clarity while reducing your fixed costs.

Use an Excel spreadsheet to draw up a cash flow plan month by month, with the incoming sums at the top, the outgoing underneath, and the very bottom line showing the overall position.

Put in the revenue if you have any, all the debts coming in (so if a debtor is going to pay you £100 per month, then put this in at the top of the cash flow,) add the essential outgoings, and then at the end of this process you will be able to see how much cash flow you have coming in and how much debt you have outgoing.

You then may have to renegotiate to move the date when you settle a debt that you have, and perhaps you call your creditors and say, for example that in the current circumstances you will pay them x% now and then y% in three or six months, when the cash flow enables you to do so.

GOING FORWARD

Review the above strategies and see which are the most appropriate for your situation. You need to ride out the storm and look forward with optimism. If you have had to close, use the time in the coming weeks and months to plan for the future.

If you have spare time, consider taking an online course to extend your skills, especially one that might form part of your continuous professional development plan. Completion of such a project can give you a boost to your well being as well as enhancing your sense of achievement.

Resist checking the news all the time as that is likely to have a negative impact. Don't become overwhelmed by current events. Ignore the rumours on social media, and perhaps check radio or TV only once a day for updates.

You might view www.gov.uk/coronavirus or the Centre for Evidence-Based Medicine and their dedicated Corvid page - www.cebm.net/oxford-corvid-19 for reliable information.

Look after yourself and abide by the restrictions placed on all of us. They are there for the benefit of everyone. Take regular exercise, even if you can't get out.

There are numerous online guides to exercises you can do in your home, even if you can't go outside.



Finally, for now we need to have an element of fun and silliness to help us get through this. Find something that amuses you, makes you smile or even laugh out loud.

Perhaps it is an old film, a piece of music, a comedy programme on the radio or just the sight of the spring flowers blooming with their promise of impending warmer weather to come.

Times will get better.

"All we have to decide is what to do with the time that is given to us."

From The Fellowship Of The Ring by J R R Tolkien



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As an advisor to management, Liza brings constructive support to companies reaching a crossroads. She helps with mergers, acquisitions and investment, and counsels firms seeking a change of direction or possibly requiring an exit strategy or joint venture. With more than 20 years' experience, Liza brings objective, broad- based guidance, diverse benefits and creative input to enable businesses to improve their performance, gain competitive advantage and enhance their progress.

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