

No one should become a small business owner and expect it to be easy - that the business will grow on its own with little or no effort while the owner sits back and relaxes. Owning and operating a small business takes more time and energy than most full-time jobs. A small business owner must be 100% dedicated to making it succeed, and this is in the best of times. When the country falls into a recession (like right now), even the most successful small business will feel the challenges of the rough economic conditions. Below, you will find helpful topic-specific advice that can help any small business owner weather tough financial times. While every business is unique, we present tips, techniques, and experiences from our SBDC business advisors (many of whom are small business owners as well). These can be applied to any type or sized business. For more information, contact your local [SBDC regional center](#).

Advertising

During a recession, cutting unnecessary expenditures from a business's budget seems like a logical first step in cost savings. However, do **NOT** cut your advertising budget if at all possible. During a recession it is essential to not only maintain current advertising presence, but to consider expansion. Many other businesses will be cutting their advertising budget, giving your business an advantage. You can create a dominant presence: the business that stands out while others are fading into the background. Since the media will be losing clients, more space will be available, leaving you with the perfect opportunity to negotiate for better pricing for newspaper, radio, and T.V. spots.

If you start considering cutting your advertising budget, first determine whether your ROI (Return on Investment) is positive or negative. If you pay \$1000 for a newspaper ad, and make \$2500 off the ad, then you have a positive ROI, and you should seriously consider keeping the ad. If you only make \$800, and have a negative ROI, then cutting the ad may be something to carefully consider. If you find that you must cut your advertising budget, look to the Internet and social networking sites for less expensive and more effective options.

“A great point to keep in mind when you advertise is to make certain that the channel you are using is dense with your audience. For instance, if I am an insurance broker and my chief target are entrepreneurs, then advertising in the mass media in the 'carpet bombing, needle in the haystack' approach will really not work and may prove expensive, with lower ROI, even if it does work. Meanwhile, a program for a gala for entrepreneurs may prove to be less expensive and more productive in producing leads. So the moral of the story is: you will achieve better, more cost effective results by knowing where your audience/prospect is and what he/she is doing. Attack (showcase your ads) when and where the target audience is 'densest' and most receptive. This will save you money and effort.” – J.M. De Jesus, Brooklyn SBDC

“Guerrilla marketing - low cost, yet highly effective marketing, which might include networking, the internet, referrals, etc. - is where it's at right now, although traditional advertising definitely has its place too. If you haven't done so already, you need to systematically analyze your target market - including your existing base - so you can determine the best methods to reach out to them.

It's important to remember that your customers are probably being impacted by the economic 'reset' as well - so you want to present solutions that show how dealing with

your business can actually help their financial picture (not just yours)... maybe by making their buying choices more informed, or showing that your product is a sensible option and not a luxury.

Too many businesses slow their advertising and marketing during tough economic times, but that just doesn't make sense. How can you have more customers if fewer people know about you? Cultivate your existing base, and keep marketing to new and old customers. That's how you'll get past this rough patch, and your non-marketing competitors won't." – Sarah O'Connell, Watertown SBDC

TIPS

- Reduce the size of print ads instead of eliminating them
- Advertise for free through social and business networking websites
- Make sure that your signage is doing its intended purpose of bringing in new customers.
- Write a press release and publish it somewhere (especially your PR.com account) at least every month, during tough times. If you do it yourself by following the Associated Press style, it will save money.

The Internet and Your Website

Due to rising fuel costs for businesses and consumers alike, Internet presence is crucial for any business with a product to sell or a service to offer. A comprehensive website with information on your industry, business, and product is essential. Making your website exciting, creative, and easy to use is a cost effective way to promote your business. Another technique to apply to your website is Search Engine Optimization, which can help draw traffic to your website and increase Internet sales.

If you currently do not offer online sales, look into what it would cost you to accept credit cards online or to use a service similar to PayPal. While merchant accounts charge statement fees and monthly fees, service similar to PayPal tend to charge more per transaction fee, so your business will have to decide which is more cost effective.

To help market your business, the web has also creates an opportunity for every business owner to be an expert in his or her industry. Blogging, using Twitter, and guest writing for business or local websites and organizations can allow you to spread the word about your business while creating a sense of expertise with regards to you and your business.

"Having a Web presence with recurring fresh content represents one of the most cost-effective ways a business can market its goods and services. Continuously driving traffic to the site through the use of social media, e-mail marketing and links on all company advertising, promotion and correspondence helps keep your name in front of customers and prospects and keeps them informed of your company's products, services and activities." – Gene Yelle, Mohawk Valley SBDC

"You may think like many other closed businesses, that you cannot afford a web site, a good promotional campaign or advertising, but so did every other failed business. Tough times are not the time to cut back on promotional items such as a web site and the marketing of its URL. If you cannot spend the money, spend the time.

Websites, like any other storefront (and make no mistake about it, a retail or e-commerce website IS a virtual storefront), must be marketed to existing and potential customers. Participating in social networks and user groups should be a daily practice. Also, a good press release – giving the individual item a news slant through some of the 50 or 60 free press release sites – is also recommended (i.e. PressReleasePoint.com, SANEP.com, etc).

Every business should have a PR.com account. Even if the entire media and press corps ignore your company news, at least you can self-publish your release on the site and even with some semi-creative writing you can cross promote your URL. It creates viral hits on search engines like Google. PR.com offers free accounts as well as the platinum service with a logo in your listings for \$199 a year, which is hardly prohibitive.

Updating of your site is also important as it creates a higher page ranking from the search engine 'bots'. If you do not update after a few months, the bots simply stop scanning your site. – J.M. DeJesus, Brooklyn SBDC

TIPS

- Expand sales to alternative online venues (i.e. eBay)
- Market your service or product through LISTSERVs and customers lists
- Participate in social networking venues like Twitter and Facebook
- Add value-added services to your website (i.e. gift certificate sales)
- Look for free or cheap web hosting
- Create a e-newsletter

Doing Business with the Government

Regardless of the state of the economy, government agencies still need the supplies and services that keep them going. The federal government spends billions of dollars each year on goods and services provided by private businesses. NYS spent \$34.5 billion dollars through procurement in State Fiscal Year 06-07. Government procurement of goods and services typically accounts for 10-15% of Gross Domestic Product and during a recession, these numbers remain relatively constant. In order to stay aware of procurement opportunities, it is important to make contacts within state and federal procurement offices. Small businesses in NYS can sign up for the Contract Reporter at <http://www.nyscr.org/Public/Index.aspx>. Federal procurement opportunities can be found at <https://www.fbo.gov/>.

"The opportunities to do business with the government are tremendous IF (and it's a big IF) you are willing to put forth the time and effort required." – Roxanne K. Mutchler, Mohawk Valley SBDC

"In order to take advantage of Federal and State Government procurement opportunities created during the Recession Recovery period, a small business must already be prepared. They should have all of their registrations in place and be known by Purchasing Agents and or Contracting Officers. It will be more difficult for an existing or

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start-up business to break into this market. Some opportunities may be set aside for disadvantaged firms, but subcontracting opportunities will still exist." – Ann Durant, Watertown SBDC

"With regards to Business With the Government it's important to understand the role and needs of who it is that is buying from you and to offer them what they want to buy, not just your product because you are selling it. The government is not just one big thing. The government (federally speaking of course) is a collection of agencies including but not limited to, the Department of Defense, the Department of Homeland Security, the Department of the Army, etc, etc. Do not think that just because you are registered and certified that this means that you are going to be contracted for millions of dollars overnight. This is a common misconception among those newer to the procurement industry." – J.M. DeJesus, Brooklyn SBDC

TIPS

There are two distinct audiences to market to when doing government procurement:

- 1) The regional or local procurement officer/contact. This is the guy/gal that is listed in the RFP notice as the informational resource and who will mail or email you the RFP for your perusal and hopefully for you to provide the winning bid.
- 2) The actual manager within the agency department that is in need and he/she or their staff are the end user(s). The procurement officer generally gets a call or requisition for the 12,000 pencils that are needed by the manager's department or cluster of departments.

Internet Resources for Government Contractors (pdf):

- [Federal](#)
- [New York State](#)
- [Commercial & Other](#)

- [Procurement program offered through Mohawk Valley SBDC](#)
- If you qualify, register your business as a [minority or women-owned business](#).

Labor Force

An expense that many businesses cut when faced with budgetary restraints is employees. This is rarely a good move. Replacing staff later will cost even more when you consider training costs. Although it may become necessary to lay off employees at some point during a recession, it should not be one of the first moves a business takes. Cutting staff can lead to diminished customer service as well as extended wait time for services. Instead of firing staff, encourage them to be more invested in your company. Recognize their achievements and dedication either verbally or financially, when possible. Even a small reward will encourage your staff to feel like a valuable part of a team and remind employees that everyone is accountable for the success or failure of a company.

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“The worst thing you can do is to automatically cut back on your staff because they are what keep the business going. If you can’t give your employees raises or increase benefits, it is essential to keep them happy. Creative, simple solutions, incentives, and perks to keep them happy such as buying lunch once a month will make your employees feel like part of the family. Small businesses are like a family and if you continue to make your employees feel like a part of the team, they’ll put their best foot forward, even without an increase in pay or benefits.” – Barbara Voerg, Mid-Hudson SBDC

“Recession is a good time to evaluate your staff and your staffing needs. Do you have the right number of people and do you have the right type of people? These are questions that need very dry/objective answers. The other issue is, are the people you have performing to their full potential, are they being as effective and efficient as they should be? There is also the issue with management...are you as a manager, providing the proper support to motivate and get the most out of the people you have? All this implies that one must do some serious and objective analysis before making decisions about personnel. The tendency seems to be to think about reducing the payroll ASAP but that will do little good to the survival of the company if the wrong people remain in the firm or if management fails to utilize all resources effectively.” – Arnaldo Sehwerert, Mid-Hudson SBDC

“Fortunately for our company, we have not been hit (yet) as hard as some other industries with regards to sales. We have been able to control costs and our debt levels are minimal, allowing us to have a little bit more flexibility than some others. We have not had to make any cuts in our employees’ salaries but have not paid any increases either. At this point, our goal is to try to do the little things to make sure that they realize that they are important to our business. Because there are not a lot of opportunities out there for employees to make changes, they are afraid to give up their current jobs. As the economy gets stronger, there will be more opportunities and we want to make sure that we don’t lose anyone because they felt they were taken advantage of because of the recession. We have made every attempt to keep the lines of communication open and encouraged their participation in cost cutting opportunities as well as asked them to keep their eyes and ears open to possible opportunities for new business. So far our staff seems to be on board with us. We are attempting to set aside at least some extra funds in hopes that at the end of the year we can give them some additional compensation for their efforts. We may not be able to give any raises, but even if we can give small bonuses, we are hoping that they will appreciate the gesture.” – Steve Amell, Binghamton SBDC and Small Business Owner

TIPS

- Hire college students or interns for credit when faced with hiring new staff
- Four-day work week formula
- Job sharing – retaining your job part-time while receiving partial unemployment
- Hire freelancers, consultants or contractors to work for you from home

Economizing

Small business cost-savings techniques tend to be similar to household financial strategies. Simple, yet effective, methods can make a significant difference over time. Practical steps, like balancing a business checkbook regularly, having a strong cash reserve, renegotiating rates services such as shipping, and writing down a financial plan can go a long way in cutting costs and increasing savings. Businesses and employees can learn new skills, or remember old ones, to also save money. For example, collating and stapling are easy enough tasks and by doing them yourself, you don't have to pay a printer. Just remember that cutting too much out can hurt your business, which makes it essential to find a happy medium between spending and saving.

"Remember that you can't cut your way to the bottom line. While you want to look for cost savings wherever possible, you can't lose focus on business development. No matter what the economic conditions may be, there are always opportunities to grow sales. Look at your business model and see if there are new ways to provide existing customers with more product/service lines; and keep striving to get new customers." – Rick Leibowitz, North Country SBDC

"Economizing is fine but it's only half of the issue of survival under tough economic conditions. I feel that the more important half is the development of new markets to place your products/services, accompanied by an improvement in your existing customer service. That way you cover both ends of the equation. Sure you can do a number of things to save money, but that will do you little good if you don't increase or at least consolidate whatever market you might have. And, BTW, this is not brain surgery....it is going back to basics and paying attention to sound business fundamentals.....it could not be simpler than that." – Arnaldo Schwerert, Mid-Hudson SBDC

TIPS

- Prepare detailed contingency plans that will allow you to rationally scale down your business and remain solvent and/or profitable
- Have a strong cash reserve - a rule of thumb is to have at least enough cash to fund yourself through one year

Going Green

By making your business environmentally efficient, you can see a quick return on investments as well as long-term cost savings. Increasing the value of the company through energy efficiency benefits not only the business but the environment as well and can augment the public's opinion of your company.

"Going Green for small businesses relates to and benefits the triple bottom line - 'People, Planet & Profit'. From a business' economic perspective in these difficult times, making simple changes such as energy use implementations (think using more efficient light bulbs, installing programmable thermostats, and turning off computers during down business hours for starters) provides immediate dollar savings and profit increases, which in many cases pays for the costs of the implementations in a very short amount of time, while providing the savings for a much longer period of time past the payback period.

Going Green also increases Profits when you consider the effect a business has on People and the Planet. Businesses do not operate in a vacuum. They are an intricate part of the community they exist in. Developing recognition among customers regarding the business' respect for and contributions to the people and environment they serve provides a sense of connection and loyalty with customers. This consciousness leads to bigger and better business opportunities, especially in today's green business conscious zeitgeist in America, which is easily recognizable when looking at many successful businesses current marketing and product development endeavors. I challenge you to watch one block of commercials on TV without coming across an ad for a hybrid vehicle, or a corporation's efforts at controlling climate change for instance. If these successful large businesses recognize the importance of people and planet in their profits, small business should recognize the same." – Frank Cetera, Green Energy Aware, Onondaga SBDC

TIPS

- Buy recycled printer cartridges
- Eliminate unnecessary lighting by using motion sensors and timers
- Turn off equipment that is not in use: turning off your computers at night can reduce energy consumption up to 50%
- Use laptops, which consume 90 percent less energy than standard desktop computers
- Share printers

Recovery

Predictions for when the economy will turn around predict anywhere from the fourth quarter of 2009 to the third quarter of 2010. Certain economic indicators have already begun to show signs of improvement, but recovery is not going to happen overnight. As of July, unemployment is still high, but the number of people becoming unemployed and applying for benefits has slowed. Sales of housing are turning around, and while the numbers are down, they are improving. Global manufacturing figures have begun to rise, giving hope that the worst has been seen in that industry. Consumer confidence is up in most regions in New York State compared to the first quarter of the year.

"Preparing for the economic turnaround is as important as situating your business to fight the recession. The US economy tends to grow. Since 1947, a period of 61 years or 247 quarters, US gross domestic product (GDP) declined a total of 38 times, or slightly more than 15%. In the 209 quarters that GDP has expanded, the average increase was 4.5%, while the average decline in the 38 down quarters was 2.7%. On average, the economy expands 5.5 quarters for every one quarter it declines. So, while we may be struggling today, there is no question the economy will pull out of it and grow again, probably starting next year." (Cushman & Wakefield, [Economic Pulse](#), November 2008)