

How to Take Advantage of an Economic Downturn



There CAN be a Silver Lining!

Experts have been predicting a global economic downturn for the past few years. This is now apparent in today's business climate, a result of many factors. Some of the contributors are the retail, real estate and manufacturing. All of these sectors can directly impact the floor covering industry. While some areas of the country are experiencing normal or even above normal sales, many regions are experiencing a slight to modest slowdown.



As a business owner, you no doubt want to protect your business and financial investment in these slower economic times. While the bad news is that you may be experiencing less than desired sales numbers, the good news is that now is the perfect time to fine tune and improve your business structure and position in your market.

Five Basic Objectives in a Downturn:

- Conserve Cash
- Protect Assets
- Reduce Costs
- Improve Efficiencies
- Grow Customer Base

DON'T STOP GROWING



Keep plowing ahead, even while your competitors are downsizing or cutting back. While reducing unnecessary costs are important, you should resist the temptation to cut budgets in areas of sales, marketing, and **business development (software purchases and business management systems)**. The strength of your business process in an economic downturn is vital to the longevity of your flooring business. By investing in the future of your company during a slow business cycle, you can create a large gap between you and your competition in market share and branding when the market turns.



Survival Tips:

- (1) Upgrade outdated computers and donate to charity for tax deduction
- (2) Actively seek new business – possibly add a new salesperson
- (3) Never stop advertising – now is the time to increase marketing efforts

IMPROVE COMMUNICATION WITH STAFF



The frequency and quality of your communication internally and externally should be at an all time high. Make sure all employees have a understanding of your vision and plans. Use a slower pace environment to maximize the training and education opportunities to improve the abilities of your staff. Employees who are well informed and well educated about your product and your business process (computer systems) equate to higher staff retention and morale which exponentially translates to your customer satisfaction and profit levels.



Survival Tip:

- (1) **Enroll staff members in job related on-line classes to save on travel**
- (2) **Hold 10-minute weekly staff meetings**

LEVERAGE TECHNOLOGY



Use technology and business automation to streamline your operation. Replacing outdated manual systems with automated processing builds the foundation for future profitability. While your competitors may replace innovation with caution and extreme cost cutting, use this time to invest in your business now and when the economy starts to recover, you will find yourself positioned far ahead of the pack. Using downtime to install and implement new equipment has the least impact on your business, staff and customers alike.



Survival Tips:

- (1) **The Economic Stimulus Package of 2008 has bonus depreciation for hardware and software purchases**
- (2) **Review your computer systems to ensure you are using all it's features**

USE YOUR RESOURCES



In a down economy the stakes are higher, the money and resources are tighter, and the decision-making ability of your management team will be the difference between success and failure. If you can streamline operations, implement a solid workflow, use available technology and keep your best employees educated and informed, your business will gain ground while your competition is “down-sizing”. Take this time to cross-train staff, introduce new installation techniques or reduce, recycle and reuse!



Survival Tips:

- (1) Create a workflow diagram to graphically map how a customer order is processed in your business to check for efficiency and duplication**
- (2) Consider reducing hours, job sharing, reassignments or other creative ways to prevent staff layoffs**
- (3) Use part-time or independent contractors**

MIND YOUR CASH FLOW



Cash flow is something that many small business owners have problems with, even when the economy is booming. However, when the economy is struggling, it is even more vital that business owners get to grips with this aspect of business management. Business owners can regain control of their cash flow by ensuring that their invoicing process is quick and efficient and by requesting deposits for bigger jobs. Having quick automated methods of reporting your financial management position is vital for effective cash flow analysis.



Survival Tips:

- (1) Leasing hardware and software can minimize or prevent cash flow dips**
- (2) Offer prompt payment / cash discounts**
- (3) Convert excess or obsolete and slow moving inventory**
- (4) Use an effective inventory management system**

IMPROVE YOUR SERVICE



The best way to get and keep customers is to please them. And the best way to please customers is to give them not their money's worth, but **more** than their money's worth. Nurture and serve your customers well. *Do everything in your power* to make them happy and keep them satisfied with your product or service—so they keep coming back for more. Take advantage of today's technology and employ tools to enrich your customer's experience. For example, use a 3D drawing program to help your customer visualize their flooring selection. Conduct customer surveys to find out what your customers really look for in a floor covering purchasing experience. Once you find out, run with it.



Survival Tip: (1) Give a small gift in exchange for a completed written customer satisfaction survey
(2) Always, always place a follow-up courtesy call after installation is complete

ADD VALUE TO YOUR PRODUCT



In a soft economy, customers in all areas are more concerned with price than ever before. You can win new accounts and retain existing customers by enhancing your service and provide them with more value to their dollar. For example, offer a larger selection, more colors or easier payment terms. Offer complimentary design assistance. If you are bidding on jobs, create and submit professional reports to improve your professional image. There is no need to “give away the store” and promise an excessive amount of extra service. By just making a little extra effort, your business can be perceived as a significant increase in value by the customer.



Survival Tips:

- (1) Create a printed “5 Point Promise Plan” that outlines your strongest customer service guarantees
- (2) Give a “trade-in” allowance for old flooring
- (3) Partner with other related local businesses to offer creative packages

BE A WINNER!



Periods of economic decline can be stressful and challenging for small business owners. However, there are many things that can be done to ensure that your company remains intact and profitable during these times. If you stick your head in the sand and consider yourself too busy to make improvements, it is unlikely that you will survive a significant slump in the market. Take time to review and improve every aspect of your business, from the operations to the advertising. You can give yourself a fighting chance and may even come out of the downturn a better and stronger company than you were before.

The RFMS Suite of software tools has been improving floor covering businesses across the country for over 23 years. For more information about how **RFMS** can help strength your business, call **1-800-701-7367** or visit www.rfms.com.

BUSINESS MANAGEMENT SOFTWARE PRODUCTS FOR YOUR BUSINESS:

- **Core Management System**
Accounting, Order Entry, Inventory, Product Database, Banking, Quotes, Sales Analysis, Job Costing and Profit Analysis, Billing, Installers
- **Takeoff Estimating**
7 Versions available for creating estimates of all flooring types
- **Showroom Manager**
Manage your product line, pricing and sales with QuickBooks® Integration
- **ECommerce**
Receive product data from major mills and suppliers, transmit electronic purchase orders and receive advance shipping notices all using the Internet
- **New Home Management System**
Especially designed for the flooring contractors in the builder market
- **RFMS Commercial**
Complete Project Management software built especially for the commercial dealer
- **Schedule Pro**
Total control over installation scheduling and crew management