



Managing Your Business In Times of Uncertainty

Experiences and Strategies for COVID-19

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The Big Picture

1. Business impact of Coronavirus is at all scales – international, national and local.
2. It is the biggest single shock to the global economy since the Global Financial Crisis in 2008/09. Many economies and businesses have taken 8 – 9 years to recover from the impacts of the GFC – some never have. Likely to have a greater impact than the GFC.
3. The impacts of the coronavirus pandemic are unfolding in real time. If the pandemic turns out to be more acute and lasts longer than is currently anticipated, then the economic impacts may be significantly greater than currently expected.
4. As with other pandemics, the presence of coronavirus is likely to occur in waves (not just one hit).

Five Broad Responses

Risk Management

1. Identifying major risks and developing plans to minimise the impact of those risks. A good way to start is to:
 - a. List each of the major weaknesses of your business (eg reliance on a big customer, low profitability, variable cash flow).
 - b. List each of the major threats likely to affect your business (eg absence of key staff, no access to supply of stock, insufficient demand).
2. Risks are likely to include:
 - a. Losing key staff
 - b. Losing key suppliers
 - c. Losing key customers or delayed customer orders
 - d. Stress due to extreme uncertainty and lack of control
3. Identify the impact of each major risk if the risk is not managed
4. Prepare a plan to manage each risk including actions to be taken and by whom.

Five Broad Responses

Operational Disruption

1. These may include developing strategies that address:
 - a. Reduction in customers
 - b. Lack of access to supplies
2. This may apply particularly to businesses in these sectors:
 - a. Tourism
 - b. Exporters;
 - c. Agrifood;
 - d. Mining;
 - e. Education; and
 - f. Importers.
3. These strategies may include relying more on local markets than you usually do.
4. Your business may also need to prepare for a loss of key staff. Do you have staff who may be able to cover more than one area in your business? Is outsourcing for a short period of time an option (eg payroll, cleaning, transport)?
5. It may be useful to identify those staff who are:
 4. Essential to work on site
 5. Essential but can work remotely
 6. Non-essential but can work remotely and
 7. Non-essential and are not needed to work remotely
6. You also need to ensure that your legal obligations (eg taxation, loans, leases, supply contracts) are able to be met and put measures in place if you think you may not be able to comply. Many businesses leave it to the last minute to ask for help – much better to ask early.

Five Broad Responses

Continuity of Supply

1. Identify possible areas where the supply of your products/services may be in doubt and organise other sources – even for the short term (eg local suppliers rather than international suppliers).
2. If you can't organise another source of supply, then let your customers know at the earliest opportunity – customers may not like this but, under the circumstances, they will understand.

Five Broad Responses

Engaging with Customers

1. Keep in regular contact with major customers regarding your capacity to keep up supply – even if all is okay.
2. Let customers know early if you need to change your supply and customer service arrangements.
3. Keep accurate out of stock/stock-in notifications.

Five Broad Responses

Act Locally

There is a lot that business owners can do to encourage and support other local businesses by buying locally from both business and personal points of view. Each purchase on its own may not seem much but if everyone does it, the impact can be significant.

These may include:

- Dining out in restaurants and cafes
- Visiting attractions on your days off
- Buying items from smaller retailers
- Holidaying within Tasmania
- Purchasing services from local professionals and tradespeople
- Supplying local customers

Seven Detailed Responses

Likely Effects of COVID 19

1. Revenues

- a. Identify likely sales from each customer over the next 12 months – be realistic
- b. Have a clear understanding of customer requirements
 - i. Lower price points or
 - ii. Better value for money

2. Costs

- a. Match costs with revenues (are there costs without revenues?)
- b. 'Have to have' costs rather than 'nice to have' costs
- c. Question 'sacred cow' costs (eg family member employees)
- d. Focus particularly on minimising fixed costs
- e. Understand and develop balance between variable costs and fixed costs

3. Cash

- a. Cash is king
- b. Identify likely cash inflows/outflows over the next 12 months on at least a month by month basis (be realistic)
- c. Maintain good credit position and access to credit (security and serviceability) – suppliers and financiers
- d. Report regularly against budget
- e. Need to manage cash more than by just relying on the current bank balance

Seven Detailed Responses

Act Decisively

1. Need for strong leadership – not procrastination. If you, as the business owner is not the best person to do this, you need to identify someone who is.
2. Not a time for sitting back to ‘see what happens’
3. Regularly re-assess risk management plan as often as the circumstances change, particularly in relation to:
 - a. Costs
 - b. Key customers
 - c. Key employees
 - d. Key suppliers, whilst carefully watching cash
4. Need to focus on what really matters such as:
 - a. Declining orders
 - b. Non profitable products
 - c. Maintaining and building volume
 - d. Whether to implement critical investment projects
 - e. Focus on core products, customers and markets

Seven Detailed Responses

The Right Information

1. Need to access accurate and timely information relating to:
 - a. Sales (budget and actual)
 - b. Costs (budget and actual)
 - c. Profit (budget and actual)
 - d. Cash (budget and actual), not just the bank statement

1. May need to shorten reporting periods – eg quarterly to monthly, monthly to weekly
2. Need to have the systems and processes to do this – if you don't – you need to establish them. These may include:
 - a. Internal accounting packages, MS Excel, manual
 - b. External sources including bookkeeper, accountant, advisers

1. Need access to up to date information to ensure speedy decision making
2. Need access to performance measures including:
 - a. Working capital (current assets/current liabilities)
 - b. Debtor days
 - c. Days cash
 - d. Creditor days
 - e. Forward orders
 - f. Competitor activities
 - g. Customer intentions

Seven Detailed Responses

Likely Futures

1. Prepare profit and cash budgets based on:

- a. Best case
- b. Likely case
- c. Worst case scenarios

1. Scenarios will need to include:

- a. Sales
- b. Cash
- c. Costs
- d. Profit
- e. Sales mix
- f. Employee mix
- g. Competitor action
- h. Effect of:
 - i. Finance breaches
 - ii. Quality breaches
 - iii. Compliance breaches
 - iv. Customer expectations

Seven Detailed Responses

Maintain Customer Base

1. Identify key customers (current and likely) and profitability
2. If you don't have the right information you need to obtain assistance to develop it
3. Develop a contact plan for existing customers
4. Develop a list of qualified potential customers and develop/implement formal contact process
5. Potential customer contact schedule to be implemented on a regular, systematic basis
6. May not be a key strength because of prolonged period of economic buoyancy
7. Continue to focus on delivery of unique competitive advantages

Seven Detailed Responses

Keep Stakeholders Happy

1. Know who your major stakeholders are:
 - a. Key customers
 - b. Key suppliers
 - c. Financiers
 - d. Employees

1. Understand how the Coronavirus may have affected stakeholder circumstances and the implications for your business
2. Need to develop a communication plan (internally and externally) to present a consistent message to stakeholders – avoid inconsistencies
3. Keep key employees ‘in the loop’ and be aware of their concerns, needs and expectations
4. Minimise the chance of losing key employees due to mis-understandings
5. May need to implement a formal performance management process to keep key employees
6. Vital to communicate with key stakeholders early if problems arise – don’t wait until it is too late

Seven Detailed Responses

Look for Opportunities

1. Internal Opportunities

- a. What are the best performing products/services
- b. Identify opportunities with best performing products/services

1. External Opportunities

- a. Is it time to re-position your business to move into new areas?
- b. Are you aware of the resource implications of moving into new areas?
- c. You need to be aware of likely competitor activity – but not driven by them
- d. Opportunities created by the Coronavirus:
 - i. Online businesses (in addition to in-person shopping)
 - ii. Accommodation for people in isolation/quarantine (empty visitor accommodation)
 - iii. Food/ product delivery (instead of in person shopping)
 - iv. Product bundling
 - v. DIY
 - vi. Recreation

Experience with COVID 19

1. Similar experience as with the Global Financial Crisis but with considerably more uncertainty;
2. As yet, we don't really know the long term impact of COVID-19 because we don't know the impact internationally – north west Tasmania is the most exposed to global commodity markets than any other region in Tasmania;
3. We expect the impact in north west Tasmania to be more pronounced and over a longer term than GFC;
4. Since March, Braddon Business Centre has experienced a busier time than usual;
5. Also assisting businesses that were struggling prior to COVID-19;
6. A high number of people than expected intending to commence a new business;
7. Existing businesses wanting to grow but finding access to finance difficult;

Experience with COVID 19

8. Smaller businesses wanting to employ someone but don't know how to do it;
9. Existing businesses, including not for profits, needing to plan for different future scenarios;
10. More young people intending to enter agriculture;
11. Existing businesses realizing that they can no longer put off going online;
12. Existing businesses using this quieter time to look at the future opportunities for their business but unsure how to start the process; and,
13. Existing businesses realizing that their existing business may not continue to be viable are looking at options including downsizing, changing to different markets, succession of ownership, sale of business.

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