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Discussions For & About Small Business

5 Ways to Recession-Proof Your Business

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While many signs suggest economic conditions have stabilized, economic growth continues to be slow – and may remain so for some time. What’s more, the uneven distribution of that growth means many businesses remain in a recession- or near-recession-like state.

As small businesses continue to slog through this slow-growth scenario, there are several steps that nearly any organization can take to help recession-proof their operation, regardless of the industry, says Wharton lecturer and small business expert [Robert J. Chalfin](#).

Chalfin offers five tips for positioning a business to weather these ongoing, rough financial times.

1. ‘Unemployment insurance’ with purchase

“About a year and a half ago,” says Chalfin, “Hyundai said ‘if you buy a car from us and then lose your job within a year, we will give you (almost) all your money back.’” How many owners will actually send the car back? “Not a whole lot.” Chalfin believes that Hyundai might not have sold a good number of the cars that it did over the last 18 months had they not made this offer. Plus, he says, the strategy gave the company some extra used cars to re-sell. Before trying this promotion, however, talk with a financial expert to ensure its cost effectiveness.

2. Deferred/extended payment plans

Buy now, don’t pay for a year. “Say Home Depot borrows money at 3 percent, or less,” says Chalfin. “Then they give the consumer a year to pay for their purchase, so Home Depot takes a 3 percent hit.” That’s basically the same as allowing customers to purchase with a credit card.

3. Rent vs. Buy

Allow lease vs. buying. This works with cars and appliances and it might work with your products too. Lately, more equipment manufacturers are offering a lease option. “Cell phone companies have figured it out too, as have large enterprise software companies,” notes Chalfin.

4. Make it easy to do business with you

Storage facilities, for example, could consider providing a truck and some people to help haul items to their facilities at no cost. Once your stuff is there, you’re less likely to leave. “People don’t realize how long they will keep their stuff in storage,” says Chalfin. “They keep it longer than they thought they would. So why not help them get it there?” Other companies need to think harder about making things easier for their customers.

5. Offer reduced services

Cable providers and banks make this type of offer all the time. Consumers get a low rate for one year, and then the rates go up. “Take Sirius Radio,” says Chalfin. “If you purchase a new car, frequently you received free satellite radio for a limited period – and then you get used to it. I think what the banks are doing now is brilliant – offering to handle bill payments online without a service charge. People get hooked on that service. Credit card, mortgages or rent, car payments, cable and utility bills come out of your account automatically. It’s easy to enroll, but time-consuming to switch, and so it increases the likelihood you will maintain an account with that institution. Or think about accounting firms: They may have little to do in July. So they could say, ‘let us do your taxes during tax season, and then we’ll give you a free financial planning session in July.’”

“In today’s market everyone is looking for bargains and value,” says Chalfin. So look at your pricing structure carefully. Ask yourself where your customers or clients are taking the biggest risks – and, especially in today’s recessionary times, try to meet them halfway.

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