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Getting Past Fear & Anxiety:

5 Best Practices to Manage Through Challenging Economic Times

Executive Summary

Target Audience:

Small business owners interested in increasing revenues and productivity during the downturn. Special attention is paid to how to make technology work harder for you during the downturn.

What You Will Learn:

How to optimize five areas of your business including:

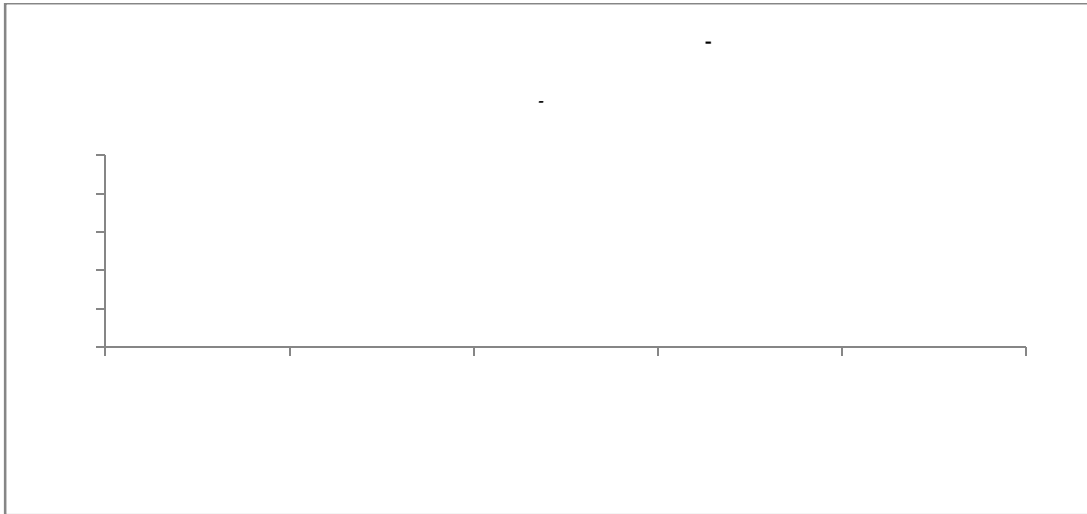
- 1) Marketing that drives sales
- 2) Scenario planning that creates decisive action
- 3) Methods to capture incremental sales
- 4) How to put your knowledge of your customers to work for your business
- 5) Ways to get the most out of a relationship with a value-added reseller (VAR)

Tools Included:

This paper provides specific how-to advice for each best practice cited so that readers can immediately implement the ideas that they find most compelling. In addition, readers are provided a quick and easy-to-use checklist to help turn these recommendations into action. Specific websites and blogs are included at the end of the document for those readers seeking more information and resources.

Getting Past Fear & Anxiety: 5 Best Practices to Manage Through Challenging Economic Times

Significant revenue declines. Disappearing profits. Tightening cash-flow. If this sounds familiar you're not alone. Most U.S. small businesses are feeling the pinch as the economic downturn continues to apply extreme pressure on their businesses. Figure 1 illustrates the most common consequences cited by U.S. small businesses as a result of the downturn.



Small businesses are faced with making extremely difficult decisions with most businesses already making painful cuts such as layoffs, pay cuts and trimming back product lines. The good news is there are concrete ways to manage through these challenges effectively and emerge with a stronger, more efficient and better performing business than ever before.

AMI Partners – a worldwide consulting and research firm that studies small and medium businesses – has identified five best practices that small businesses are employing to manage through the downturn. This paper will take you through each of these best practices and guide you on how to get started in each area.

Just like many of the businesses we speak with, your company is most likely managing the following business priorities:

- Cutting costs, including looking at expenses at the line-item level
- Growing revenues through new products/services or new ways to acquire customers
- Improving the customer experience and retention of existing customers

These needs have always existed for small businesses but during the downturn they have become even more urgent. Many small businesses are turning to IT to find ways to drive efficiencies into their

business and increase revenue and profitability. The idea of leveraging IT to increase your company's revenue and productivity may seem like a lofty goal, but it isn't. The key is to start with your business needs and then identify specific ways the use of your notebooks, handhelds, software, printers and other IT investments can help you achieve your goals more effectively and efficiently. We will leverage the key findings from these successful small businesses and distill them down to easy steps you can adopt within your own company.

Our approach will be to help you take a broad look at how to drive revenue and increase productivity. We have highlighted five key ways your business can achieve these goals. Where applicable, we will focus on how you can leverage one of your most underutilized assets – IT – to help within each of these key areas.

Five Best Practices to Manage Through Challenging Economic Times

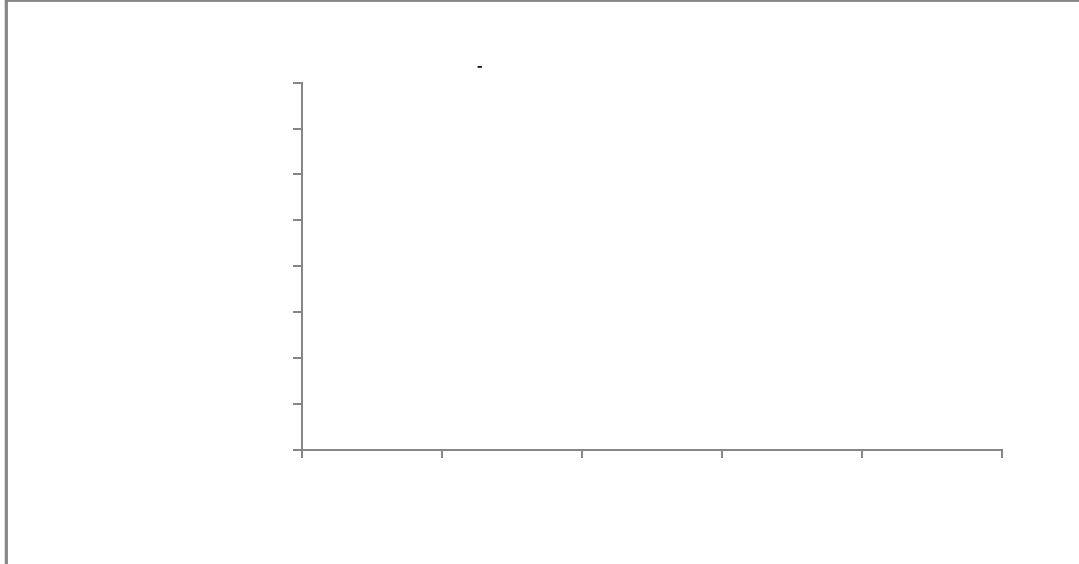
In this section we will review the following five best practices to help you manage through the downturn:

- 1) Rethinking your marketing
- 2) Develop decisive planning that will lead to decisive action
- 3) Opportunistically capture new sales
- 4) Knowing your customer and how their needs have changed
- 5) Optimizing your relationship with a VAR (value-added reseller) and/or IT specialist

Individually, these five best practices represent critical ways for small businesses to improve their businesses. Collectively they represent a methodology that will help to ensure your business is optimized during the downturn.

Best Practice #1: Rethinking Marketing

Managing your business through these challenging economic times will require marketing that successfully drives sales. Typical advertising and promotional activities that small businesses currently perform are illustrated in Figure 2.



However, now that your customer's spending is most likely severely constrained, these marketing efforts alone, especially word-of-mouth which is the most commonly used marketing tactic for small businesses, are proving to be less successful. During these challenging economic times, small businesses need to find new and creative ways to engage their customers and prospects and drive them to action. However, as you will read below, the challenge isn't just finding new ways to reach customers, but new ways to use these vehicles to deliver your message more effectively. Sometimes it's using the same vehicles you have in the past (e.g. email) but using it differently in terms of tone, message, how often you use it, etc.

To illustrate this point, certain small businesses have begun to enforce a mandatory face-to-face "check-in" with clients and customers on a monthly basis. This helps ensure that the small businesses, their products and services, are always top-of-mind with their clients. Face-to-face meetings allow the small business to stay in front of their clients and customers and receive instant feedback. This also helps your clients feel that they are getting preferential and personalized treatment.

Some businesses are finding inexpensive ways to stay in touch with their customers, such as sending weekly informational emails that teach customers how to save money. One mortgage broker firm owner has been sending weekly customer emails that recap and provide guidance to her clients as to what happened that week, and specifically how those changes have impacted home loans. "I am always surprised how many customers respond to my Friday emails. Every week I have at least a handful of my customers responding to the email I send out and more often than not they result in new business," said Heather Jacobs of AMS Loans. In some cases these informational emails include funny quotes to bring a little levity to their clients and customers.

"The key is to make the information relevant and timely for customers," said Chad Thompson, VP of Marketing at AMI Partners. "Small businesses have a distinct advantage in the market place due to their size. They have the ability to establish and maintain a level of intimacy with customers that larger

businesses struggle to develop. Simply finding a way to reach out to customers in a non-intrusive manner that delivers value has proven to be successful as everyone grapples with the downturn.”

Another way small businesses can get creative is through the use of flyers, coupons, brochures and other printed materials to drive sales. Many businesses that have relied on word-of-mouth to drive sales now need to think about new ways to get the word out about their services and products. Many small businesses are finding ways to break through marketing noise with targeted printed marketing materials. “I try to think about how I can remove steps for customers and prospects to see my marketing materials,” said Janelle McCrackin, a small business retail owner who now uses postcards in her mailing campaigns. “For example, I could send them the greatest promotion on the planet, but if it’s in an envelope, they may just throw it away before even opening it. You have to remove as many steps as possible to ensure customers are at least seeing your message. The more personalized and customized to your clients’ needs, the more successful you will be at driving sales.”

Creating personalized and targeted in-house marketing materials is another example of how successful small businesses are leveraging their current IT investments to maximize revenues. If you feel like your current printer and/or PC solutions are inadequate to develop this kind of highly targeted sales and marketing material, you may benefit by reaching out to your value-added reseller (VAR) and/or IT specialists to discuss the numerous options available. We will be discussing how to locate and get the most out of your VAR later on in this paper.

Best Practice #2: Develop Decisive Plans that Lead to Decisive Actions

One of the best ways to manage through the downturn is effective planning. Frequently, due to time constraints and other urgent needs, small businesses have minimal time to plan beyond the current and following month. During these times of great economic volatility, it’s critical to have plans that are simple, focused and realistic. The best practice is to develop ‘scenario planning’ that focuses on three possible revenue outcomes for the remainder of the year. These revenue scenarios start with specific revenue projections in mind and are followed by shorter-term plans and strategies to support each revenue projection. This type of systematic planning forces the right questions to the top and ensures small businesses are aware of their risk exposure and have formulated reactionary steps. The issues included in this type of planning are:

- *Employees*: how many, required skill sets, timing of hires/layoffs, etc.
- *Products & Services*: what the business can afford to offer in each scenario to maximize revenues/profits and how best to deliver them
- *Expenses*: how to allocate budget and maximize returns of every dollar within each of the three scenarios

“We have three distinct scenarios that we are planning for and they range from us doing ‘OK’ to us doing ‘very well.’ We are able to make cuts like layoffs now because we have that level of planning in place,” said Melinda Partin of WorkTank a branding and advertising small business. “We had to go through tough layoffs in areas that we are seeing our business drop off, but we plan to grow in other areas so

those cuts enable us to apply those dollars more strategically to ensure we obtain the best possible scenario for us.”

Although scenario planning may seem like a daunting task for small businesses it can be done quickly and provide much comfort to business owners and their employees. Realizing that your business can survive significant drops in revenue, and may even come out stronger, is very reassuring. It's the clarity and comfort that comes with knowing it is possible and knowing how it is possible with specific courses of actions outlined.

If you haven't already—get started on your own scenario planning by simply sitting down and putting three numbers on a piece of paper that represent three possible revenue projections for the next 6 to 12 months. Think of those numbers as ranging from 'worst case' to 'best case scenario' considering the economic climate and your current business conditions. Once you have decided on revenue numbers, move into how many employees you think you would need to achieve those revenue goals and more specifically how many employees you think you could *afford* within each scenario. That will then lead you into other decision areas such as what products to focus on and what expenses to keep vs. cut.

Don't hesitate to reach out to your VAR once you have the three scenarios roughly built out. Your VAR can be extremely useful in three ways at this point: a) help you identify ways you can save and/or be more competitive through strategic IT investments, b) help you understand if there are ways you can optimize the use of your existing technology to help drive efficiencies and c) help provide a focused IT budget that will support you by delivering on your key IT needs within each scenario. The beauty of scenario planning based on revenue projections is that it makes a seemingly overwhelming and convoluted process very clear cut.

Best Practice #3: Aggressively Searching for New Revenue

In a recent study of small businesses completed by AMI in December 2008, 57% of small businesses cited the need to invest in new customer acquisition activities as a means to increase revenues. As a business owner and entrepreneur it probably doesn't surprise you that sometimes the best thing to happen to a business is a crisis. During times of great challenges often come creative new ways to do business that would have never been explored if the crisis hadn't occurred. "The level of creativity we are seeing in small businesses right now is unlike anything I have seen in the 15+ years I have been studying the market," said Mr. Thompson. Some of the more aggressive small businesses are taking this to heart and opportunistically capturing new revenue by targeting competitor's customers, expanding into new geographies or rolling out new products or services that cater to the altered demand as a result of the economic downturn.

"During these times a 'lead' is worth everything, but in order to get it you have to be creative," exclaimed small business owner Jack Brock of DiTomasso Design & Consultants, Inc. Mr. Brock co-owns a small home remodeling business that differentiates itself by employing friendly, articulate and engaging college students to go door-to-door to knock on homeowners' doors and let them know about their services. Mr. Brock observed that the housing slump in his vicinity is prompting homeowners to remodel parts of their homes and in stages. Some homeowners want to upgrade their homes since it's an

inopportune time to sell. Others are taking advantage of the reduced prices to increase the values of their homes in preparation for the housing market recovery. Jack Brock believes there are huge opportunities for small businesses during the downturn. "We have to get creative and think about how we can better reach out to our customers and make that more personal connection... or the sale simply won't happen." Mr. Brock's highly successful business attributes its success to two primary factors that set it apart from the rest of the competition:

- a) How he gets in front of customers in a more creative and direct way (in this case a door-to-door canvassing by employing young, energetic and inexpensive labor) and
- b) Maintaining very low overhead (e.g. no showroom floors, limited office space and inexpensive but effective sales force) which enables his company to come in at the best price.

Many small businesses claim that while they feel the pinch during the downturn some of their competitors are faring even worse and are showing signs of being vulnerable to well executed competitive strikes. "Businesses have become more competitive now that the total market opportunity is more constrained," Mr. Thompson stated, "so small businesses will begin to start targeting each other's customers and clients. It's a natural progression at this point. Success will be determined by how well the businesses can truly grab the attention of a competitor's customer base and instill a sense of urgency and reward for switching to their company now." Another way to pick-up additional revenue is to leverage lower-cost methods like websites and expanded direct mail campaigns. The challenge is to expand the small businesses' reach without losing their inherent strengths of being a small business. Small businesses need to have sites and marketing materials that look professional but at the same time not lose their inherent strength of being a part of a smaller, faster, more responsive and personable small business.

Best Practice #4: Know Your Customers Needs

It is always good business sense to know your customers' needs. During these challenging economic times some of these needs and purchasing behaviors may have changed with a renewed demand on better value and outstanding service. As a result, the way you target and address these customer needs must adapt to these changes. One small business we spoke to appreciated the concept of collecting more customer data after admitting, "The decline in revenues probably started in December, but I don't have a lot of history so I am not sure what to expect." "The small businesses that will thrive during the downturn are finding new ways to generate revenue by increasing their understanding of their customers," said Mr. Thompson. These small businesses know how their customers' needs and preferences have changed during the downturn while at the same time, they are finding new ways to monetize those insights. We are seeing this across industries in some of the best performing companies. The pattern is clear with 3 distinct approaches to turn this knowledge into revenue."

1) Use customer data to ensure money is never "left on the table." One California auto-body shop owner started using a new software as a service (SaaS) offering that enables his employees to capture digital images of a customers' damaged cars and send that photo directly to insurance companies to ensure his business is compensated, especially if the damage was not found during the

original estimate. His entire SaaS setup, including the new hardware he purchased (i.e. digital cameras, server and notebooks), was paid back within one month of using the service. Admittedly, this body shop owner would have never entertained the idea of adopting something like this system if it wasn't for the tough economic challenges he is facing. "It took me 3 months before I would give the company selling the service the time of day, but after I started to hear about some other shops [competitors] in town using the service I thought I should look into it. Anything to stay ahead in this environment I can't stand to pass on anymore," said Roy Thompson of S&S Body Shop.

2) Use customer data to optimize profits. During times when consumers and businesses were less concerned about their expenses, it wasn't a top priority for the small businesses serving them to know critical pieces of information about their purchasing behaviors. Now that spending is constrained knowing the purchasing behaviors of customers can be the difference between being in the black or being in the red each month. A wine shop owner realized this as he started to notice something at the end of every month – a lot less money in his pocket. Profits were disappearing and yet he knew instinctively that the amount of foot-traffic in his stores hadn't trailed off as much as the profits had. Unfortunately, it was all guess work at that point because his stores were not set-up to capture point-of-sale data to show which bottles of wine were selling, average price points, volumes and other key factors that would enable him to rethink his inventory and ensure he was maximizing revenues and profits for the new type of purchasing his clients were making. He is currently exploring a few different point-of-sales solutions to ensure this is corrected and his business can adapt accordingly.

3) Use customer data to drive incremental sales. One of the most fundamental ways to drive sales from customer data is to adopt a customer relationship management (CRM) system that will help ensure all employees (especially the sales personnel) are capturing and sharing critical information with one another. Over 20% of small businesses have adopted CRM although a sizeable proportion are "homegrown" solutions based on Excel or Outlook with limited functionalities. Complete CRM systems can help small businesses become more disciplined about how they engaged with customers and prospective customers. It's a great way to get all employees on the same page in terms of what information to get from customers, product/service preferences, sales conversion histories, while at the same time instill a formalized process to keep reaching back out to clients to ensure your business is always top-of-mind for them. The process has to become second-nature to small businesses in order to get the most out of CRM. There can be a steep learning curve to adopting a system but the payoff is huge with the right product and training.

Best Practice #5: Leverage Your Relationship with Your VAR and/or IT Specialist

There are numerous opportunities that exist for small business in terms of specific ways to reduce costs, increase productivity and drive sales and revenue through the use of IT. However, it takes a certain level of expertise, familiarity and time to ensure your IT delivers on these fronts. Simply purchasing a PC, printer, server or new piece of software isn't likely to maximize your return on your IT investment or guaranteed to make your business more efficient. The good news is that there is an entire group of affordable professionals to help small businesses achieve these goals. Many small businesses are already engaged with one of these professionals. They are called value-added resellers (VARs). VARs are IT

experts who specialize in adding value on top of the IT hardware and software. VARs tend to specialize in installing, consulting, integrating, customizing and/or training users on IT. Often times small businesses can get all of their IT needs fulfilled from one VAR making their IT experience simpler and more convenient. What most small businesses may not realize about VARs is that they are small businesses themselves. They know the pain points you're going through and are eager to work for your business. More often than not small businesses that use VARs find that they actually save money on their IT investments compared to those who make more ad hoc purchases that may or may not ultimately meet their business's needs.

The benefit of building a relationship with a VAR is simple. They are the best resources for small businesses to maximize their IT dollar. VARs can tell you what IT solution can best suit your needs, find new ways to optimize IT to meet your business needs and walk through any complexities or confusion you may have regarding IT. As your business needs change in this environment, it is a great time to ask your VAR how technology can further address these needs. For example, if your employees and/or clients are in multiple locations and require significant costs to keep them in communication with one another, a VAR could work with you to explore the numerous solutions that can help significantly reduce travel costs such as web conferencing or voice over internet protocol (VoIP).

There are also a number of mobile computing solutions available to help increase employees' productivity. While eight in ten small businesses already use a notebook, less than half equip their employees with smartphones (PDAs with phone capabilities). However, these technologies have matured while price points have come down, and small businesses are recognizing the value of these mobile solutions – to reach their employees when they need to. At the same time employees appreciate the flexibility these solutions provide. Simply cutting this section won't have a significant impact on the length of the document.

The key is to have your needs clarified and then sit down with your VAR and/or IT specialist and review your business needs. This will help ensure your IT purchases (both past and future) achieve as many of your business needs as possible. If you don't have a VAR and would like to find one please visit one of the many sites that offer VAR directories such as www.hp.com/go/localreseller. These directories will help you find a VAR in your area and, just because it's an HP directory, doesn't mean they only sell HP solutions. That's another advantage of using a VAR. They will work with you to assess your needs and then find the best set of solutions for you and your business.

How to Make it All Work for YOU

We have discussed a great deal of information that can help your business survive this rapidly changing economic environment. We believe this is a time that small businesses can thrive if they choose to employ these best practices. The critical question is how to get started. Attached is a checklist to help you do just that. Before you begin, think about where you and your business are in terms of the five best practices—are you well ahead of the curve and just need some subtle course corrections? Or are you

just starting out needing the basics? Perhaps you're somewhere in the middle of the two. Take a look at the below and think about which will best help you get started in this process and start using it today.

Getting Started Checklist

Task Description	Owner	Deadline
Marketing		
1. Develop a customer referral program		
2. Execute a campaign to capture customer reviews		
3. Come up with three creative ideas to get in front of customer and prospects		
4. Create marketing/sales materials		
5. Make sure your company can be found online		
Planning		
1. Develop three scenarios for revenue		
2. Develop three plans for each of the three revenue numbers		
3. Engage key employees to think through ramifications of products and services for each scenario		
4. Put the necessary changes into action to ensure your company is targeting one of the scenarios but has the flexibility to survive even if the worse case becomes a reality		
Sales		
1. Develop three ideas to target the weakest competitor's customer bases		
2. Execute at least two of the ideas		
3. Identify a customer type/segment you think your business could better serve		
4. Develop 2-3 ways your business could target the customer		
5. Re-evaluate your web presence by asking the simple question of what purpose it serves and how well it's achieved that purpose		
Customers		
1. Identify the top 2-3 ways your company could monetize customer intelligence		
2. Implement at least one of those ideas to test how effective your company can be at capturing and monetizing customer data		
3. Reevaluate the way your company reaches out to customers and prospects and identify 2-3 ways to improve the process		
4. Explore a CRM solution if you haven't already		
VAR/IT specialist		
1. If you don't have a VAR access www.hp.com/go/localreseller to find one locally		
2. Sit down with your VAR to explain your current top business needs and ask him/her to provide their best thinking on specific IT solutions that can help address those needs		
3. Implement the top 2-3 changes in your IT that will directly improve your revenue, productivity and/or efficiency		

Other Resources

There are a number of resources available to small businesses online. In fact there are so many, the challenge becomes wading through all of them to find a resource that best suits your needs. Below are a few sites you may find of value.

Marketing

<http://www.entrepreneur.com/marketing>: A provocative and inspiring collection of articles written for small businesses who want to see their marketing materials drive sales

<http://www.microsoft.com/smallbusiness/resources/marketing>: Practical and very tactical advice (at times focusing on how best to use Microsoft products to achieve your goals) that can be very useful to the small business marketer

<http://www.ducttapemarketing.com/blog/>: A common favorite for those small business marketers looking for something a little different to help drive new thinking, innovation and creativity in their marketing efforts.

General

www.hp.com/go/learningcenter: HP's online learning center with free classes to help you learn about everything from using Word, Excel and PowerPoint to broader topics including how to increase revenues and profitability

www.sba.gov: An extensive library of articles, tools and training materials to help small businesses that are just starting or just need a little help with the basics.

www.score.org: Includes "how to" articles and tools in addition to helping you find a local small business mentor, at no cost, to help you on a one-on-one basis.

www.smallbiztrends.com: this site has it all, with blogs, articles, and tools that range from the very practical to the more strategic; you're guaranteed to find something that inspires and educates you.

www.businessmatchmaking.com: Business Matchmaking is the nation's premier public-private initiative supporting procurement opportunities for small business in every industry resulting in the facilitation of over 70,000 seller-buyer meetings and billions of dollars in contracts over the past six years.

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