



Common mistakes businesses make during a recession

Running a business during a recession can be a challenging task. Every day, you read about companies being forced to down size and close their doors, and you might be wondering if your company is next. All of this confusion can cause you to make crucial mistakes that jeopardise the future of your company. Below is a list of some of the most common mistakes businesses make, so that you can avoid making them:

1. Panicking

The first mistake you can make is to panic. Panicking is what leads to the rest of the mistakes on this list. My recommendation is to turn off the news every once in a while. The constant doom and gloom coming from the talking heads will cloud your judgment, making you take your eyes off your long-term goals.

Don't turn your business into a reactive one, it is the proactive ones that survive and thrive during tough times.

2. Slashing the Marketing Budget

This might just be the biggest mistake you can make during a recession. Sure, your first instinct is to tighten the purse strings, but if you don't market, how can you expect to generate business?

Instead of slashing your marketing budget, review your marketing plan to make sure it's effective and measurable. Now is actually the prime time to market your business. Your competitors are dropping out, making your advertising stand out even more. I don't want to sound cutthroat, but you need to kick them while they're down.

Studies have shown that during times of recession, companies that maintained their marketing experience higher sales and profits during the downturns and afterwards than companies who cut their marketing budgets. Why? Because they kept their name in front of their customers and created brand recognition, even in the worst of times.

But remember marketing is not just traditional advertising (eg radio and newspapers); advertising is just one form of marketing. There are many different low cost (and even no cost) forms of marketing available to your business.

If you are unsure about how to recognise and utilise these, contact us to see how we can help – you have nothing to lose and plenty to gain.

3. Ignoring Weaknesses

While it's easy to blame the economy for the failure of many businesses, the truth is a poor economy typically exposes poor business practices. It's not hard to succeed in a flourishing economy full of spend-happy consumers. As a result, a good economy tends to cover up the weaknesses of your business. So, you need to use this downtime to figure out which areas your company needs to improve upon. Sometimes it can be difficult to see your weaknesses, so maybe consider using our services to help you identify possible improvements.

4. Failing to Adapt

This goes back to the last point. A lot of businesses are simply stuck in the past. Business today isn't the same as it was ten or even five years ago. An online presence is a must in this business climate. Don't try to save a few bucks by cutting back on technology spending. Tools like social media and internet marketing are more important now than ever before for making your company relevant.

5. Discounting Prices

This isn't to say that you shouldn't cut your prices. If you have a good reason for doing so, then by all means lower your prices. However, discounting prices in the hopes of generating more sales during a recession is a critical mistake. It devalues your product or services, and it puts you in a vicious cycle of constantly lowering your prices to chase those sales. It's a lose-lose proposition.

6. Not using Advisors

Use them – that is what they are there for. As they are not involved “in the business” they have the ability to see things that you may not, they have the skills, knowledge and experience to help you improve your business. Talk to us and see how we can help you.

Always keep these in mind when making business decisions.