Managing a business in a downturn economy

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A recession typically refers to a downturn in the economy where about 75% of business turnover will be severely affected. These kinds of downturns ordinarily last 18 to 24 months. However, in South Africa, this is exacerbated by the lack of energy stability and a decline in optimal infrastructure. Harvard Business School estimates that more or less 14% of companies can grow in economic downturns.


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The first step would be to establish where your company's business is in the recession-proof grid. If your company falls in the psychological needs category, the more recession-proof you are. Examples are companies in healthcare and basic needs such as food are examples of relatively inelastic products and services consumers buy even when their budgets are tight. Stay alert even if you are in this sector – your competitors might be more agile than you think.

Other sectors that are more recession-proof are financial services such as banking, home, and automotive repairs. High-recession company products refer to esteem and self-actualisation, such as travel and tourism, beauty conferences, construction and personal services such as hair and fitness. If you are in this sector, you need to shape up seriously.

Pay attention to global and local trends. The world has become increasingly smaller and most countries cannot escape intercontinental challenges.

A fundamental step would be to analyse your financials and take the necessary measures. Explore risk reduction strategies such as locking in interests. Cutting expenses but maintaining the same service quality and production efficiency level is an option. There is a difference between unnecessary costs and cutting away costs that can adversely affect business operations.

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Negotiate with suppliers, but do not squeeze your service providers into the ground; they also need to survive. Supportive client relationships will stand you in good stead in a downturn and an upturn.

Downturns are often a buyers' market, according to Rama Variankaval, director and Global head of JP Morgan Center of Carbon Transition and Corporate Finance Advisory. ''There will always be pockets of opportunity and growth in any economic cycle. Many companies focus inward during a recession, but that may mean missing a unique chance to scale with a strategic merger or acquisition.'' Whatever the opportunity, maintain a fortress balance sheet.

Crime and pilferage increase during downturns and your security infrastructure should be state of the art. Beef up inventory control, infrastructure and business processes and close all loopholes.

Marketing channels at all times should attract and retain the 'correct' type of customers. Consider pivoting and changing some aspects of your core products and services. Utilising upselling and cross-selling could enhance revenue. Channels achieving desired results should continue, while others can be paused to minimise costs. Revisit analysing the ten living standard measures (LSM Grouping) as most groups are affected during tough times.

Be very clear about how much your target customers own and their disposable income. Revisit the demographic segmentations of your target market, age, gender, occupation, income, education and family status. Make sure you are marketing to your ideal customer profile or buyer persona.

During recessions, a robust online presence should be a priority. Sending frequent emails and social media updates of products and services is very relevant. It is better to utilise retargeting ads instead of cold top-op-funnel strategies (people who have never heard of you). In other words, target customers with who you already engage. They are about 43% more likely to convert (EYC counsel post by Andy Karosa).

Your workforce is your most crucial asset, regardless of economic conditions.

Develop capabilities for the upturn, such as your analytical capabilities. Keep in mind the APLAER framework as released by TSIA. Pronounced ‘A-Player’ as in ‘you can use data to turn a B-Player into an A-player’. Employee empowerment is probably the most prominent win.

The world is changing quickly, and in the same vein, the required skills of your employees. Multi-skilling staff can result in a reduced staff count. Since they can double up where extra input is needed, rotate staff from less busy sections to busier ones.

Franklin D Roosevelt reminded us that a ‘’smooth sea never made a skilled sailor’’.

Avoid the classic staff and customer mistakes to drive and push your staff and customers harder. Instead, enhance staff and customer nurturing.
It sounds all straightforward and logical, but we know it is all in the implementation!

All the best.

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