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### **CREDIT CRUNCH TIPS**

The majority of individuals and businesses will have suffered some effects as a result of the current recession. These may include, but are not limited to, difficulties in obtaining credit, issues regarding recovery of debts leading to cash flow problems, job losses, pressure on pricing, and the need to cut costs.

So is there anything we can do to help our businesses survive in this economic climate and to deal with these issues head on?

#### **Credit control:**

- Review contract terms and conditions;
- Ensure all staff are aware of credit terms;
- Carry out credit checks on new customers;
- Remind customers of settlement date as any invoice is due. Ensure no disputes exist;
- Chase debts as soon as they are overdue and continue to chase regularly. Be persistent!;
- Consider ceasing supplying customers who have not paid;
- Request post dated cheques if agreement to pay over time is allowed;
- Use a debt collection agency or solicitor to issue a letter before action. Costs of doing so are often negligible;
- Where non payment persists, a statutory demand can be issued for debts exceeding £750;
- Small Claims Track can be used for pursuing debts up to £5k.

#### **Reviewing costs and finances:**

- Prepare detailed profit forecasts and cashflows. Flex the forecasts to reflect downturns in turnover or loss of customers. It is easier to obtain finance before you become desperate. Know your breakeven point and gross margins;
- Monitor forecasts;
- Examine your marketing budget- there is an argument that you should increase marketing spend in a recession;
- Evaluate your order book and speak to your customers. It is often easier to get business from existing customers than finding new customers. Focus on retaining customers;

- Examine costs and capital expenditure requirements. Shop around for alternative suppliers, make more use of electronic communications, consider modes of travel etc.;
- Employ an agent to re-negotiate business rates or property term leases on a percentage of saving basis;
- Take advantage of early settlement discounts where possible;
- Consider staffing levels and take care to ensure you recruit the right people;
- Review stock holding policy. Can you release some of the cash tied up in stock by reducing stock levels?
- Review your banking arrangements. Are you getting the best deal? Do you have a good relationship with your bank? What are they doing to help you?
- Consider relationships with professional advisors such as accountants and lawyers. How can they help you? Consider outsourcing to reduce costs or improve services;
- Consider invoice discounting;
- Explore other sources of government finance such as grants or other initiatives eg The Enterprise Finance Guarantee or the Capital for Enterprise Scheme;
- Look for outside investment from business angels, venture capital trusts or private equity investors;
- New community style lending may be available as an alternative eg [www.zopa.com](http://www.zopa.com) or [www.firstfunding.org](http://www.firstfunding.org).

**And how about personally?**

Cancel that gym membership and walk to work instead!