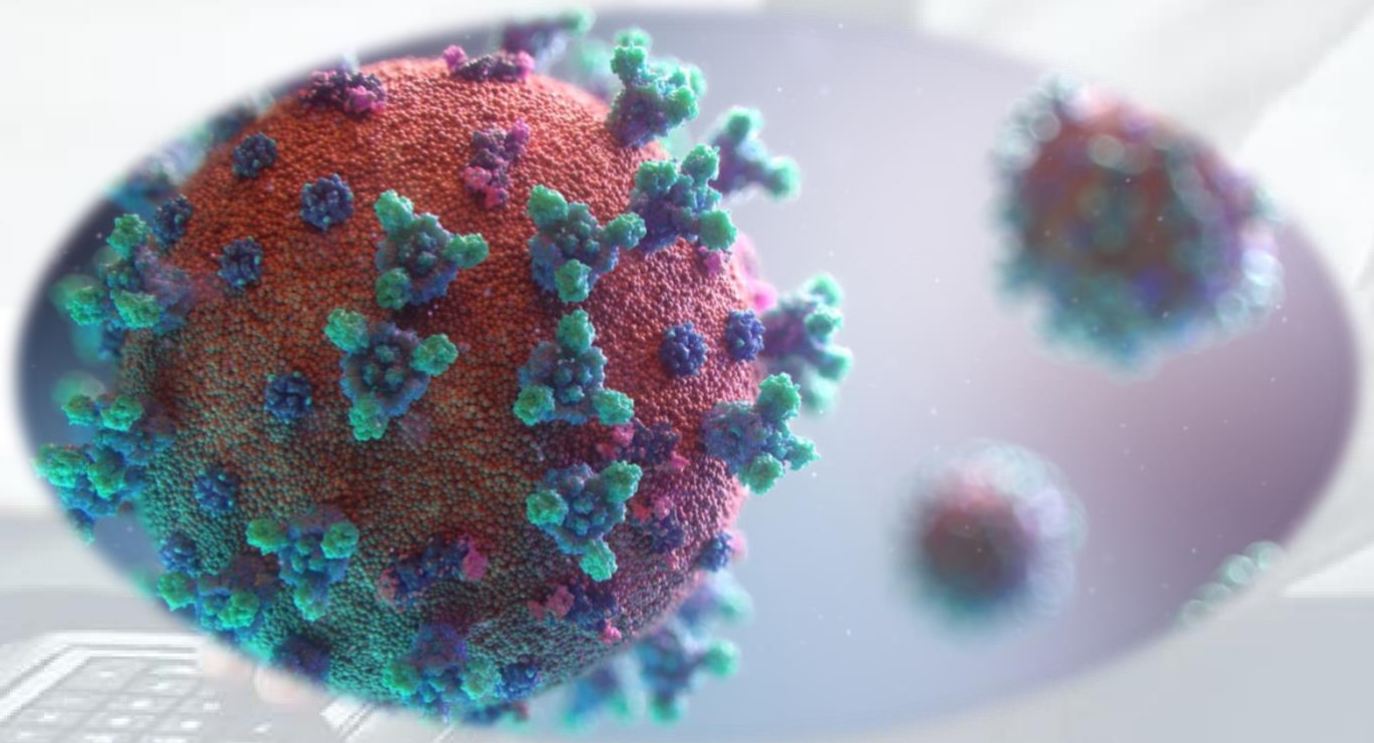




How To Quickly Grow  
Your SME Or Micro Business  
With The World's Most Successful  
**COACHING SYSTEM**



**PLAYBOOK**  
**RESPONSE TO COVID-19**

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# “How To Ride Out This Perfect Storm, Emerging Stronger and More Successful Than Ever!”

## 7 Essential **STEPS** To Guide You And Your Business Through The COVID-19 Turbulence

### As Business Owners, We've All Had The Same Fears

If you're like every other business owner up and down the country (and indeed across the world) you have experienced the same initial reactions to this **COVID-19** crisis - intense feelings of helplessness and anxiety. You will have feared that...

- Your customer base will disappear
- Your staff costs will be unaffordable, and you'll have to let some, or all your team go
- Your cash reserves will disappear in a couple of months. What happens then?
- You have suppliers, VAT and taxes to pay – with limited means of doing so
- You will be unable to continue operating as now or at all

You're in survival mode and are likely feeling overwhelmed; so much to do, so little time to do it and with the consequences of failure at the forefront of your mind.

We have a Perfect Storm here, made up of a killer epidemic, changes in the way people live and behave, driven by both the virus and severe government restrictions. None of us have experienced anything like this before and probably never will again in our lifetime.

However, there are 3 pieces of good news...

- The storm will blow itself out. We don't know exactly when, but calm will be restored. Business will get back to normal; however, this will certainly be a “new normal”
- Out of adversity will come opportunity for those who choose to embrace it
- If you follow the **7 STEPS** below you will not just survive you will emerge strong and ready to move into a new phase of growth and prosperity

## 20% Of Businesses Will Emerge Stronger After The Storm

You are probably familiar with Pareto's 80/20 principle<sup>1</sup>. It is an extremely powerful yet simple rule that is often applied to many aspects of business. Typically, it says that around 20% of your customers will deliver about 80% of your revenue and profits.

Applying this principle to our current situation, it is probable that after the Storm, 20% of Small and Medium Sized Enterprises (SMEs) within a given marketplace will deliver 80% of the revenues and profits within that market.

Sadly, some businesses have already been casualties and have gone into administration or closed their doors for good.

Those who have survived really have **2 options** from here:

- i) Cut back on all costs, stop marketing and take up the Government support measures available (see **STEP 1** below). They will effectively mothball their businesses until the crisis is over or at least until some sense of normality returns
- ii) See this as an opportunity rather than a crisis

Business owners who choose *Option i)* will have their own good reasons for doing so. Their companies may still survive but will almost certainly be worse off after the Storm. They will have much ground to make up when they start trading again.

However, we're already starting to see business owners who are adopting *Option ii)*. These are the entrepreneurs who want to face up to this adversity and are reacting with positive and bold actions. They are taking their own measures which will put them ahead of the curve and will lead to a secure long-term future for themselves, their businesses and their families.

*These companies will make up the "20%".*

The purpose of this Playbook is to give you some guidance on how to be one of them.

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<sup>1</sup> For more background on 80/20 read: "The 80/20 Principle" by Richard Koch

## 7 STEPS To Securing Your Place Amongst The 20%

One thing that this crisis has given you is **time**. Time that you probably never had when you were operating your business under normal circumstances. You were always too busy working IN the business. Does this sound familiar?

Despite feeling that times are tough at the moment, you now have a unique opportunity to balance operational and strategic tasks, reflect on what you really want to achieve and work ON the business.

James Caan CBE<sup>2</sup> recently posted an article on LinkedIn discussing previous economic disturbances and their impacts on business. It concludes, “Coronavirus is a game changer in the world we live today. But history has taught us that game changers often lead to positive developments in the not-too-distant future.”

COVID-19 is certainly a game changer; but allow it to drive positive developments in your business.

Here are the **7 STEPS** you must be focusing on NOW to make sure you are setting yourself up for success in the short, medium and long term. **7 STEPS** to securing your place within the 20%.

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<sup>2</sup> Serial entrepreneur, philanthropist and former Dragon!

## STEP 1: Take Advantage Of The Government Support Measures

The UK Government has listened to our fears and have announced an unprecedented package of support measures<sup>3</sup> including:

- Job Retention Scheme: Employers can claim for 80% of furloughed employees' (those on a leave of absence) usual wage costs up to £2,500 per month
- Coronavirus Business Interruption Loan Scheme: Loans for businesses with turnover up to £45m, interest free for 12-months
- VAT Deferral: VAT Payments due between 20th March and 30th June 2020 can be deferred. Outstanding payments to be made before 31st March 2021
- Small Business Grant Funding: Businesses that already gain relief through Small Business Rate Relief or Rural Rate Relief, are eligible for a £10,000 grant
- Grants: A grant funding of £25,000 for retail, leisure and hospitality businesses with a rateable value between £15,000 and £51,000
- Business Rate Relief: A 12-month business rates holiday for all retail, hospitality, leisure and nursery businesses in England
- Time to Pay: All businesses that owe tax and are in financial distress can apply for support from HMRC

If you haven't done so already, apply for any loans, grants and other support measures that you qualify for. Every little bit will help, so do not shy away from taking what you are entitled to.

To find out more details, go to the Government website and seek specific guidance from your professional advisors (for example, Accountants, Solicitors or HR)

<https://www.gov.uk/government/publications/guidance-to-employers-and-businesses-about-COVID-19/COVID-19-support-for-businesses>

These measures may help to alleviate some of your immediate financial concerns and support your number 1 priority which is survival. They will also give you head space to focus more effectively on **STEPS 2 to 7**.

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<sup>3</sup> Correct as of 2<sup>nd</sup> April 2020

## STEP 2: Nurture Existing Customer Relationships

It is vital now to look after your existing customers, even more so than ever before. They will be feeling the same insecurities and fears as you. Whatever you can do to help and support will be appreciated. Do this well and you will be rewarded with loyalty in return; this is an opportunity to turn existing customers into lifetime customers. Other companies in your market will almost certainly not be doing this!

- Communicate, communicate, communicate. Deliver frequent, positive and personal communications across multiple media channels. Even something as simple as a text or call to see how they're doing will be much appreciated
- Deliver great customer service – go over and above what you would normally do
- Offer great free advice that will help your customers' businesses; maybe provide guidance on something related to your business or theirs
- Be inspirational and passionate about your business
- Take care of people – how you manage relationships will really matter
- Keep marketing and selling but add exceptional value - empathise with your customers and ensure the tone of language is appropriate

## STEP 3: Adapt Your Business Model

We're already seeing companies adapt their business models to address changing market needs, wants and demands.

Things that would have once seemed impossible are now possible. Who would have thought that:

- A Formula 1 consortium would start manufacturing ventilators for the NHS
- Dyson would turn their development and production skills to delivering a new form of ventilator
- A 4,000-bed hospital could be built in 2 weeks from scratch
- Home working could become acceptable and that we can operate using conference calls
- Gyms would morph from central facilities to in-home work-out zones
- Your local fine dining facility would offer takeaways for food and wine or offer an online grocery store

These are all crazy strategies that companies would not have considered before.

The evolving environment brings new challenges and requires new thinking to overcome barriers. Existing ways of operating may have disappeared. Don't hesitate to think outside-the-box. Actively encourage and empower those around you to do the same to maximise idea generation and continue to satisfy your customers after the Storm.

To get ahead of the curve, get creative, define your new normal...and **start now**.

Here are some key areas that you should consider when adapting your business model:

### Target Market

If you have an identified target market (and we hope you do!) then this may stay the same or it may change. Certainly, your current target markets' wants and needs WILL change and you will need to understand how.

### Your Offer

As we have seen, some companies, across a range of markets, are already adapting their offers of products and services. Here are some questions that you should be asking yourself:

- What will my customers need that we could provide?
- Can we do more online? If so how?
- Are there any of our current services that can be provided virtually?
- Are there any products or services that are complementary to our current range that we could offer?
- Can we partner with other, non-competing companies to offer a broader range?

- Are there new distribution channels that we could consider?
- Do our capabilities enable us to branch out into a completely new business?

## Use of Technology

Technology is evolving fast and impacting all our lives. Our challenge is how to integrate technology into our businesses in a way that's affordable, makes a difference to our customers, suppliers or employees and cuts costs. Technology should certainly be at the forefront of your mind when adapting your business model, albeit some would require investment. Here are some ideas:

- Teleconferencing or webinar technologies, such as MS Teams, Skype or Zoom to encourage more home working and/or remote meetings
- Secure "chat rooms" for you and your staff to use
- Apps for easy, on-the-move customer ordering
- E-Commerce technology, such as ordering, fulfilment and invoicing software, to build online trade

## Unique Selling Proposition (USP) or "Differentiator"

If you have new target market needs, a modified offer, or are using technology in a novel way, you should be reviewing your "Differentiator". This explains why anyone should buy from you instead of your competition. What is unique or different about your products and services? What is unique about the way you operate?

In the "After-The-Storm" scenario there will be less competition in your industry sector as some companies, sadly, will not make it through. Also, some businesses will have adopted *Option i*), meaning there will be market share up for grabs for the 20%. So, you should be absolutely clear to potential customers, "Why You?".

## Supply Chain

Reviewing and adapting your Supply Chain could be a great way to improve your customer service and cut costs.

- Map your current supply chain from source to customer
- Review each "link" and ask yourself, "is this working well?". If not, "what could be improved?"
- If you have any Key Performance Indicators (KPIs) that measure the effectiveness of any part of the Supply Chain, review these. Are you happy with the performance or could it be improved?
- Could your supply chain be simplified?
- Look at how you can deal with slow moving, space absorbing, non-value adding inventory
- Are your suppliers performing the way you would expect? What options do you have?

## Operational Business Processes

How you operate, or your ways of working, must come under review when you're adapting your business model. For example, your financial, customer service, employee management, supplier management and financial processes.

So, once you've defined your new normal, work out how it will be implemented effectively within your business? Consider

- How do your current operational processes need to change?
- Are there some new operational processes that need to be designed?
- How will you measure improvements in the way you work?

## STEP 4: Continue To Do Marketing

History has shown us that companies who continue marketing in a recession, grow their market share. Those who do not, decline<sup>4</sup>. As mentioned before, the businesses who select *Option i*) will stop their marketing and as a result will be in a worse position during and after this crisis than you.

The important thing in the immediate term is to focus on no- or low-cost marketing strategies that will generate fast cash for your business. And the place to start is with your existing customers.

### Marketing to existing customers

Don't forget that if they can, your current customers will continue to spend money on your type of products and services. Even in this current climate, it is still appropriate to make offers to them that will be of benefit and add value. Here are some suggestions of tried and tested strategies:

- Special offers:

This is not about reducing absolute prices, which will cut your profit margins long term and not set you up for a more profitable future! No, this is making special offers that will be appealing right now and will encourage your customers to buy now rather than a little later – bringing cash into your business at a time when you need it.

For example, you may wish to offer money off a product or service for a short period of time. You may have some stock that you wish to clear out. Offer a deal on this to save on storage costs and provide some fast cash into the business.

- Going large:

This is a specific type of special offer where you offer the customer (who has already made the decision to buy) a larger quantity (for example a bigger size or multiple units) of the same product or service for a preferential price.

The most common place where you will have seen this is in McDonalds when you are asked, “would you like to go large?” It is very effective and easy to implement.

- Bundling:

Bundling is when you offer a complementary product or service to the one initially being bought which adds value to your customer's overall purchase. Again, there needs to be a price benefit for your customer to buying a bundle.

You may have noticed that Amazon are great at doing this. You select an item to buy and before you go to your basket, you will be offered a bundle of products - the one you have bought and one or two related products or services.

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<sup>4</sup> Forbes.com: “When a recession comes, don't stop advertising”; Harvard Business Review: “How to market in a downturn”

## Marketing to prospective customers

Whatever marketing you are doing to generate leads or to convert leads into paying customers, you should continue this if there is sufficient cash in the business to do so. The economy has not ground to a halt and people will still require the products and services that you offer. We have 6 pieces of advice here:

- i) Make sure that any marketing you do is appropriate and/or relevant as we are navigating this Perfect Storm. You must remain ethical and not be perceived as taking advantage of the situation we find ourselves in. Ensure your messages are compassionate.
- ii) Focus on marketing strategies that are no- or low-cost. For example, email campaigns, website, LinkedIn strategies (if you are servicing the business market), webinars, social media and PR.
- iii) If you are currently advertising on Google, Facebook or LinkedIn you may have a captive market as your competitors are likely to have stopped doing this. Also costs per click may come down - a good time to take advantage of cheap advertising.
- iv) Adapt your marketing messages to reflect the changing needs of your target market(s) and your adapted business model. For example, are you clear on who you're targeting? Are you communicating your Differentiator clearly?
- v) Review the Return on Investment (ROI) of each marketing strategy. For those that are working well for you, scale them up. For those that are not, evaluate how you could change them to make them more effective or stop them. Test out the changes.
- vi) Take some time to plan what your marketing is going to look like post COVID-19. Get yourself ready to implement new strategies when the new normal is in place.

## STEP 5: Plan

You will have probably heard the mantra, “Fail to Plan...Plan to Fail”.

In a twist of fate, it is very likely that you now have some time to plan and you must use it! You won't feel like it, but this is potentially a once in a lifetime opportunity to stand back, reset your business going forward and make it ultimately leaner, meaner and more profitable. Seize this moment to transform your business.

Now's the chance to ask:

- “Why regrow a business with those unprofitable product lines or services?”
- “Why continue to use old ways of working, if they don't apply to our new future?”
- “We have always supplied this, and we have always done it this way. Isn't it time to create your new normal?”

Planning is key to answering these questions.

Here are some planning suggestions to keep you on the right track:

### “Cash Survival” Plan and Actions

**Cash is King!** The cash survival plan is about knowing exactly where you are – always! Make a rolling 3-monthly cash flow plan, by week, reassessed every Monday morning.

This must have opening bank cash position and reflect actual debtor and creditor positions. Your accountant should be able to help you with this. Here is a non-exhaustive checklist of cash flow items and actions critical to be included at this stage of the planning process.

Maximise Cash In	Minimise Cash Out
<ul style="list-style-type: none"> <li>• Leverage Government support schemes – see <b>STEP 1</b></li> <li>• Adopt the Fast Cash strategies from <b>STEP 4</b></li> <li>• Take any income you can, even if it is not from your core offering</li> <li>• Ensure all invoicing is up to date for work completed and services provided</li> <li>• Chase and collect all unpaid invoices that are due</li> <li>• Offer early payment incentives for invoices not yet due</li> <li>• Consider receiving up-front payments for products and services to be redeemed in future (such as selling vouchers for restaurant meals, haircuts, etc.)</li> <li>• Consider selling off some of your receivables to a factoring company in exchange for a percentage of their value</li> <li>• Offload excess inventory at a discount or sell on</li> <li>• Build in best- and worst-case scenarios and assumptions</li> </ul>	<ul style="list-style-type: none"> <li>• Talk to suppliers to see if they are open to renegotiating your payment terms</li> <li>• Approach your bank or lending institution about reducing credit card interest rates, payment holidays, or refinancing a loan or line of credit</li> <li>• Consider “sale and lease back” of assets (e.g. property, equipment)</li> </ul>

Your Cash Survival plan will help you get through the immediate crisis and keep you trading as profitably as you can in the short term.

**“After-The-Storm” Financial Plan**

This is the plan that moves you towards where you want to be. It’s a simple 6-month (or more) Profit and Loss projection that begins after the “Cash Survival” Plan ends. You don’t know exactly when that will be but it doesn’t matter in developing this plan. Seasonality may affect how you do this ultimately but in the first instance it’s probably best to ignore this until clearer dates are known.

What does matter is you look at your business and make decisions on its future shape. Then work towards that whilst staying in survival mode. There are 3 parts to this planning “process”:

- i) Defining where you want to get to

Review the decisions made in **STEPS 1 to 4** and define the future state of your business.

For example, what are your new or enhanced:

- Target market
- Differentiator
- Product and service offerings
- Technologies
- Channels to market
- Supply chain
- Ways of working (business processes)
- Marketing strategies

Describe the future state as clearly as you can.

ii) Identify the steps of the journey

For each of the elements of the future state, identify the key steps you will need to take leading up to implementation with critical milestones. Assign a timeline to these.

iii) Build your financial plan

You are likely to already have a P&L plan for your existing revenue streams and cost centres as required by your bank.

Estimate the revenues for the new income streams from your plan and add these onto revenue streams from existing products and services, as a separate line in your P&L plan.

Build in incremental costs and phase these, for example development and people costs.

This After-The-Storm financial plan will give you a head start in what will happen when the Storm subsides. It will evolve into normal business and financial planning as soon as is feasible.

## STEP 6: Show Leadership

Strong Leadership is essential in normal business conditions but is even more so during the Storm.

Your employees are your key assets – ensuring they feel valued at this time will be critical for your future success. Here are some tips for ensuring you are acting ethically and leading in crisis:

### Be Transparent

- Share what you are doing in **STEPS 1 to 5**
- Be optimistic about the opportunities that are in front of you all
- Be open. Don't be afraid to say that you don't have all the answers
- Don't overload your team with too much information which may become overwhelming
- Celebrate successes, however small

### Involve the Team

- Set up a Facebook Group, Microsoft Teams area or similar space to keep everyone communicating with each other
- Hold daily virtual “huddles”
- Brainstorm ideas with them - you will find they will have some creative thoughts (**STEP 3**)
- Get the team to share stories of what they're doing to keep busy and positive – potentially share **STEP 7** with them (see below)

### Show Compassion

- Demonstrate you care. Simply acknowledging that this is a difficult time for people and asking how they are coping is an important first step
- Ask what can you do to support? It may be nothing, but simply asking shows you care
- Some employees will be affected more than others, dealing with such issues as family health, job insecurity, or supporting front-line key workers. Respect that everybody's situation is unique to them
- Be mindful that individual circumstances may change quickly due to health issues, childcare provision, home-schooling, etc.
- Recognise that working from home is likely to be new and uncomfortable for many. It is unreasonable to expect employees to be available all day every day during these times

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<sup>5</sup> Adapted from FM-magazine.com article on ethical leadership during the Coronavirus crisis

## STEP 7: Remain Strong

By implementing **STEPS 1 to 6** you are well on the way to being one of the 20% and guaranteeing your business, financial and personal future.

However, during this testing time you may have your ups and downs. Strong management of you is therefore critical.

Here are a few tips<sup>6</sup> to help you maintain your own mental well-being:

### Take Breaks from the Media

It's important to stay up to date, but the wall-to-wall news coverage can be overwhelming. Listen to regular updates but focus on the facts, not opinion. Do not let the COVID-19 news take over your life. You have much to occupy yourself with **STEPS 1 to 6**. The most important thing is to keep yourself healthy.

### Establish a Routine

One of the easiest strategies for promoting positive mental health, is to create a new routine and stick to it. This will help build a new kind of normality. It can be as simple as eating meals at the same time every day. Take breaks from working at home, take your one form of exercise a day or whatever is allowed within Government guidance. Get plenty of sleep.

### Help Others, as well as your Employees, Customers and Suppliers

Try to look beyond yourself and get engaged with people who may have greater issues related to COVID-19. Maybe help an elderly person that might be more susceptible to the virus and symptoms. Getting your mind directed toward helping others is a circular way to support yourself. You feel like you're doing something positive and that you're making a difference.

### Ask for Help

It can be lonely at the best of times running a business. Seek guidance and support from trusted external partners, for example mentors and professional advisors. If you're more comfortable speaking with friends and family, reach out to someone you trust. They're likely going through similar challenges and experiencing the same uneasiness.

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<sup>6</sup> Source: Adapted from SSE plc safety bulletins

## And Finally...

This is a tough time for all of us. We are being challenged in many different ways – professionally and personally.

How you and your business behave will be scrutinised more than ever during times of uncertainty such as this. Be sensitive and act with integrity towards all parties (customers, suppliers, employees) to ensure your reputation is enhanced not harmed.

The advice offered here is the Chrysalis Partners' view on how to ride this Perfect Storm, based on our many years of business experience and our observations of what is going on around us.

Take this time to work through our suggested **7 STEPS**, do all you can to get through the next few months and set you and your business up to emerge stronger and more successful than ever.

We at Chrysalis Partners will be with you every step of this journey. We are happy to answer any questions you may have or just to chat.

Find out more by speaking to your local **Chrysalis Partners Business Coach**.

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