



Business Adversity Response Plan

Assumptions and Considerations

The following plan is based upon the potential significant negative impact on our local business community related to the Coronavirus.

The response and implementation of this plan will vary depending on the nature of the event, seasonal business levels, and geographical distribution of the impacts.

All sales and cost savings actions within this plan are general, and not specific to any one business. At this time, it is unknown the potential impact on sales if we experienced a significant economic downturn in our economy related to the Coronavirus. However, business owners could expect to see a possible 25-50% decline in sales if there were significant negative events related to the Coronavirus.

Actions should be based upon the actual decline in business, and will vary from business to business, and market by market.

Sales

Obviously, sales are the lifeblood of every business. However, in this situation your ability to minimize a contraction in sales may be limited. A few actions to consider are:

1. Depending upon your business model it may be appropriate to identify your Top 10 key customers / suppliers to discuss any potential downturn they might predict e.g. in terms of their sales /operations, or problems with supply / material shortages, and to what degree these issues might affect your business.
2. Complete a significant sales reduction plan for your business reflecting a sales decline of 25%-50%. The actual percentage will be dependent on your personal business judgement, and to what degree your particular business market expects to be impacted. This plan should analyze and address adjustments to staffing, inventory, operations, and cash flow.
3. Based on evolving market changes, from a longer-term perspective your business may want to consider suspending or reducing significant marketing and advertising expenses.
4. You may want to review and streamline product and service offerings to concentrate on high margin easily produced items.

Cash Flow

Managing cash during a time of unexpected economic downturn is highly important for the immediate and long-term sustainability of the business. A few actions to consider are:

1. Using your projected sales reduction forecast, develop a cash flow projection for the next 6-9 months so can anticipate your potential cash positions.
2. Review Accounts Receivable aging to ensure that all current customers are “paid as agreed”. Consider shortening current payment terms.
3. Management of Accounts Payable will be crucial and all outgoing payments should be personally approved by ownership before the “check is released” for payment.
4. Prepare list of all outside service providers and determine which services could be fully eliminated if necessary, and / or performed for a period of time by re-assigned staff.
5. Credit / Lender Facilities – Review all current LOC lines related to the business for purposes of determining available line limits (if needed), as well as consideration of potential other lending resources (if needed). Consider a short-term transfer / draw on your existing LOC’s to insure access to cash.
6. Review non-critical long term purchases to consider more just-in-time purchases to reduce inventory costs and to free up cash resources.
7. Review all current and projected repairs / capital improvement needs and consider postponement of such work as appropriate.

Staffing

1. Using your projected sales reduction forecast, develop a staffing plan for the next 6-9 months. This plan should consider appropriate staffing by function within your business. In some cases tough decisions may be required for instance in assessing the need for sales personnel levels versus production personnel. The business should also examine of the possibility of short term re-assignments to maintain current staff, i.e. employees serving in new roles.
2. Perform a critical staff analysis. Who are the key employees needed to maintain minimal levels of operation in “survival” mode.
3. Determine strategically if the best / resilient business-staffing model is quantity of employees versus hours paid to each employee. For example would it be better to generally reduce hours for all employees, or layoff employees and retain others at full time.
4. Conduct individual 1-to-1 or group employee meetings to discuss the company’s overall plan in basic terms, while providing assurances the company is taking pro-active planning steps. The preference of 1-on-1 versus team meetings should be based on your prior business management experience. At the same time, this is a good opportunity to remind employees about their own personal cash flow planning in the event the region experiences a significant economic downturn.
5. Employee hiring and training is another area that will require a delicate balance. While many businesses see seasonal trend increases as we approach the spring and summer season, it will

be imperative that this is monitored on an ongoing basis and aligned with emerging sales trends.

6. As noted earlier, analyze what business support functions are currently outsourced to third parties, which could be converted to internal re-assignment employee opportunities.
7. Evaluate possible short term cross training opportunities to increase employee scheduling flexibility or to cover critical functional / production needs.
8. Consider deferring any turnover replacements / hiring until sustained business sales / volumes justify the need.

Operations

1. Implement measures as appropriate to reduce the potential for employee and customer viral exposure.
 - a. Clean and disinfect public / shared surfaces
 - b. Review guidelines provided by local, region, and federal health agencies
 - c. Strongly encourage employees who exhibit any symptoms to stay home
 - d. Discuss with employees social distancing measures where appropriate.
 - e. Post communication to partners, employees, and customers regarding measures that the business is taking to increase safety
2. Current critical product / materials inventory levels. This is delicate balance as you have to consider any potential interruption in supply (e.g. hand sanitizer) while minimizing cash you have tied up in necessary inventory. It is recommended you meet with your suppliers to discuss any potential interruption in supply channels. This should be reviewed on an ongoing basis along with sales trends to insure best uses of cash resources.
3. Review hours of operations and other modifications related to a significant downturn in business.
4. Look at staging or prioritizing production to smooth or delay significant cost expenditures
5. Consider supplemental PPE (e.g. vinyl gloves, masks, etc.) where appropriate.
6. For certain retail markets considering adding a delivery service for customers.