



# How Small Businesses Can Prepare for a Recession

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A recession is a prolonged and pervasive reduction in economic activity. Because a recession typically results in diminished economic output, lowered consumer demand and a drop in employment, such a downturn can present various challenges for many organizations—especially small businesses.

Although these businesses can't prevent a recession from happening, they can take steps to limit its ramifications and maintain financial stability. Here are some recession-proofing tips to consider:

## Establish a Financial Plan

It's critical to monitor economic conditions and form a plan for remaining profitable amid a recession. This may entail adjusting business practices or scaling back operations.



### Prioritize Cash Flow

Practices such as limiting excess inventory, reducing overhead expenses and providing shorter payment terms for customers can help promote steady cash flow in a recession.



### Ensure Proper Debt Management

While it may be tempting to pay off any debts during a recession, doing so can rapidly deplete savings and threaten long-term financial stability. Instead, it's best to reassess interest rates on current debts and consider paying down debts with the highest rates first.



### Be Innovative

Researching the economic climate and seeking ways to adapt business strategies (e.g., diversifying income streams) can enhance operational success amid a recession.

## Stay Transparent

A recession impacts multiple parties. That's why employees, customers and other stakeholders should be informed of any shifting business practices resulting from such a downturn.



### Build Strong Relationships

Build strong relationships. Fostering connections with customers and business partners can help bolster company loyalty and trust when a recession strikes.



### Use Effective Marketing Strategies

Even when a recession is on the horizon, crafting a unique brand and adopting distinct messaging techniques can make all the difference in attracting customers and boosting profits.

## Secure Sufficient Coverage

Business risks tend to rise in a recession, making insurance increasingly important. It's best to consult qualified insurance professionals to determine coverage needs.

**For more risk management guidance, contact us today.**



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When it Matters.

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