

2 Vital Things You Need to Do to Protect Your Business

September 25, 2020 5 min read

Opinions expressed by *Entrepreneur* contributors are their own.

As the Covid-19 lockdowns went into effect, I immediately started receiving calls, text messages, and emails from clients, friends, and family members worldwide.

The texts included questions, fears, and a consistent theme of not knowing how their business would survive the lockdown. They were stuck trying to figure out how they would pay their team, pay their vendors, and pay the rent with the business shut down.

Many small businesses in the US have already closed permanently, with an estimated 55% of businesses closed since March predicted not to reopen again.

Related: 4 Ways Brands Can Be Activists for School Safety Right Now

I sat down with my team and spent a few days brainstorming some actions business owners could take to give them the ability first to survive the lockdown and second rebuild a more substantial business than they had before all the chaos started.

1. Protect your operating cash

To make this easy to understand and relatable, let us look at how humans handle a lack of resources. Humans can survive 30

days without food, 3-4 days without water, but only 3-5 minutes without oxygen.

Operating cash is oxygen in your business. When you run out of operating cash your business chokes to death very quickly, if you want to keep your business healthy and alive, you need to make sure you protect your operating cash.

We use a very easy to understand exercise that can help you discover considerable savings in just a few hours. Since the global lockdown started, we have been teaching this to business owners worldwide, and we were able to help:

- A gym owner in Texas save \$5,400 per month from their P&L (roughly \$60,000 for the year)
- A business consultant in Toronto saved \$3,000 per month from her business expenses (approximately \$36,000 for the year)
- A midmarket firm in Amsterdam was able to save €300,000 from their expenses

Our team named it the stoplight exercise. Imagine a stoplight in the United States; it consists of red, yellow, and green colors. Red means stop; Yellow means slow or caution. Green means go.

Related: 4 Ways 2020 Has Changed Company Culture Forever

Part 1 is to print out your itemized P&L or your credit card receipts for your business.

Part 2 is to comb through all of the expenses and color, each with red, yellow, or green. Red is for any expenses that you need to cut out immediately, yellow is for the expenses that you might need to keep or might need to cut out if your business starts to slow down. Green is the expense you must maintain for your business to stay alive.

Part 3 is to eliminate the expenses in red immediately. Put a

plan together for the expenses in yellow (the question below can help), and you will keep the expenses in green since they are necessary for your business to stay alive.

Question: What specific results do we need to maintain or achieve to keep the yellow expenses? If we drop below these results, we will need to eliminate these expenses immediately.

2. Protect your core clients

A core client is a client that you do business with regularly and consistently. They depend on your product or service to meet their own needs, and your business depends on their business to keep the door open.

According to Harvard Business Review, Acquiring a new customer costs 5–25 times more than keeping an existing customer. And in Salesforce's annual State of Sales Report, it reveals 79% of business buyers agree, it's easier than ever to take my business elsewhere.

Related: 6 Keys for Getting Temporarily Remote Teams Back Together

A few years ago, I was working closely with one of my favorite business mentors Keith Cunningham. He proposed a question that reshaped the way I think of working with my core clients.

He asked, "What would you have to offer your core clients so that it would be INSANE for them ever to consider going anywhere else for this type of product or service?"

To figure this out, we must take time to get to know our core clients' needs, wants, and desires.

A need is something that we cannot live without. If this need were not to be met, the business relationship would end immediately.

A want is something that we can certainly live without, but we might not want to. An example of this would be the fact we need a safe place to live, but most of us want a _____ (lake house, fancy home, one with a great view, etc.) place to live.

A desire, these are the things that call to us as we drive around town or flip through a magazine, but we could never actually justify investing the capital in getting.

Take time to sit with your core clients and learn about their needs, wants, and desires. Once you have done your research answer these two questions:

1. What would you need to offer to your clients that would make it insane for them ever to consider going anywhere else?
2. What would you need to provide to your clients to make it insane for them ever to consider stopping working with you?

<https://www.entrepreneur.com/article/355432>