From the Handbook of Business, the Bible

36: Wise people are careful

Back in session 5, we discussed what a strategic business owner should be focusing on, given the then unfolding economic malaise. You need to have a listen in the 105.1 Podcast library or download the summary at www.themarketingspirit.com.au

What Bible verse did we refer to in that session?

Proverbs 22:3, Prudent & Senseless Business Owners - "*A prudent person with insight foresees danger coming and prepares for it; but the senseless rush blindly forward and suffer the consequences*"

We shared 3 strategies prudent owners use to build financial strength…

First, to get out of debt
Second, if you can't, do some housekeeping, including checking default clauses in loan docs
Third, build up a cash reserve.

Well, here we are 8 months later and the situation is exactly as we predicted…

* Interest rates have risen 7 times since then, with more to come
* Inflation is through the roof & it's having a massive impact on the cost-of-living
* Savers are going backwards – CBA 90-day TD rate, 1.5% less inflation 8% = minus 6.5%
* A global recession is unfolding now the debt-induced asset price bubble is deflating.

What Bible verse can we apply to the economic situation today?

Prov 14:16 ERV, "*Wise people are careful and avoid trouble; fools are too confident and careless*"

* For the wise, the 3 strategies mentioned in session 5 are still absolutely applicable
* The not-so-wise, trapped in a business-as-usual mindset, may be hoping the government can fix the problem so things will get back-to-normal for them; believe me, they CAN'T
* A lot of people are going to lose income, savings and assets, if not already; some will be your customers; maybe your staff; indeed, you too may be numbered among them!

What can wise & careful business owners do to avoid trouble?

While there are no guarantees, here are 3 more strategies you can consider:

1. ANTICIPATE your suppliers not allowing you to continue using them as a bank…
    * I see COD becoming the norm in future, meaning no cash, no delivery
    * And even before it does, offer to pay COD and so be favored by your suppliers
2. REASSES your terms of trade to speed up your cashflow from sales…
    * Improve the value of your customer offer (e.g., with a powerful guarantee)
    * You're not a bank, so, why do you give credit…aim to get paid in full at POS.
3. ANALYSE your customer data base by customer/group…
    * Who will be impacted by most and least by a recession?
    * Serve all customer groups going forward if you choose to, but focus on the top 20%.

As a wise person, implementing these & session 5 strategies, will put you in a stronger position to withstand, even avoid, the coming economic troubles and the impact it will have on business!

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