

# Focus on Small Business

INSIGHTS AND INFORMATION FROM TD CANADA TRUST SMALL BUSINESS BANKING

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To prosper even during lean times, strengthen your business's cash flow and key relationships.

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## Get through the credit crunch in good shape

**T**he global credit crunch has resulted in a tougher business environment. Lending costs for financial institutions have been driven up, and supplier and customer demand have been weakened.

However, effective management can help your company make it through the credit crunch in good shape. Here are some strategies that can help your business survive and prosper.

**Conserve cash and maintain cash flow.** With ample cash on your balance sheet, your company will have more business flexibility. Closely monitor cash moving in and out of the business. Have procedures in place to keep receivables to a minimum and make sure you get paid on time.

**Reassess borrowing needs.** Focus on borrowing that can produce immediate, positive results. If your company is nervous about the future, it may be possible to put plans that require large amounts of capital on hold. Review capital spending, which can take cash out of a business when it is most needed.

On the other hand, for some companies this might be the ideal time to borrow. Business expansion opportunities are increasingly available as competitors falter and suffer liquidity problems. In such cases, using borrowed capital to acquire a competitor might make good sense.

**Control costs.** Keep costs down to maintain profitability and cash. Reducing inventories is a good way to control costs in the credit crunch. Failing to control costs can result in potential liquidity problems and the squeezing of profit margins.

**Know your customers.** Make sure customers are in good financial condition and that your company is not running a financial risk by doing business with them. The last thing a business needs during the credit crunch is non-paying customers.

**Negotiate with suppliers.** They want to do business with companies that are solid credit risks, and may be willing to offer better terms to do so. Plus, in today's slower economy, suppliers may be hungry for your business. Make every effort to pay on time, so your supply chain stays healthy. And be sure to evaluate your suppliers' financial health.

**Maintain relationships with key bank personnel.** Keep your bank relationship manager up to date on company financials, and be transparent. This will enable them to respond more quickly and effectively to your needs.

How you manage during the credit crunch will help dictate where your business can go when credit conditions improve and the economy strengthens. A smart, effective strategy can keep your company strong. ●

