

Adapting To Recession

Every SME has had to make adjustments to cope with the recession, from reviewing overheads and supplier costs to looking at new ways to generate turnover. **GRAEME MCQUEEN** sampled the views of a range of small firms

Shane Deasy

(Shane Deasy founded Bitbuzz, an operator of WiFi networks, in 2003)

We have had to take a hard look at our costs to ensure we are getting value for money and cut costs where necessary. As our customers all operate in the hospitality



industry, we have also tailored our packages to suit our customers' needs in the current climate. Where we have had to change suppliers, we have found that we have saved money without affecting the quality. I don't think the recession has bottomed out yet and hopefully in the latter end of 2010 things may start to improve slightly.

Paul Hourican

(Paul Hourican is managing director of PFH, one of the country's leading ICT services companies)

We acted by reviewing all contracts with suppliers. We sought to get suppliers to do more i.e. ship goods direct from supplier to customer and use websites for order placing. We are thinking past the immediate challenges and positioning for the post-recession



period. The economy will go up and down, we have to accept that. The recession presents an opportunity for businesses to reposition themselves for the green technology revolution. We felt the worst of the recession in January through March. It then seemed to bottom out and is slowly coming back. But it's too early to say if this is sustainable, and SMEs are still not spending.

Eoin Blacklock

(Eoin Blacklock is managing director of keepITsafe, an online backup provider)

We were fortunate to be in a strong financial position going into this recession, allowing us to take advantage of reduced costs and an increase in the need for online backup. Prior to the recession online remote backup was fast becoming an alternative to traditional backup procedures. It seems that during the recession companies are putting more time into their backup continuity planning, recognising that without their data they will not survive.



There is no doubt that this recession has hit companies hard, especially small businesses. But for those of us who are in a cash rich position and in a growth area, we now have access to highly qualified staff who were previously out of our reach. Our main focus on re-evaluating our cost base was to renegotiate all contracts with suppliers, including data centres. We

approached this by negotiating discounts based on upfront payment for the coming year. Over the past few months the conversation seems to be switching from a doom and gloom approach to a more optimistic view. Slowly but surely, customers are beginning to see the light at the end of the tunnel.

Ed Byrne

(Ed Byrne is general manager of hosting company Hosting365)

The pain priorities in a climate like this, even for a stable business, are customer retention, cash collection and new sales. We have reduced our capital expenditure budget for the year and focussed on tightly



controlling costs. Business is moving at a slower pace, so cash management is key. We have been more conservative in our growth estimates for the year and are managing the operations in line with that. We negotiated hard with all our suppliers, and in some cases switched providers in order to get a percentage reduction in our predictable monthly bills. Our approach has been to ensure quality of service delivery, but 'cut out the fat' of anything we could easily reduce. The first half of 2009 was difficult; while the pipeline was strong, closing deals was a much slower process than normal. We are very optimistic on the future as we have started to see sales close and customer retention become easier. We believe the worst is over.

Jeff Aherne

(Jeff Aherne founded Cartell.ie with his sister Nicola in 2006. The firm's website enables motorists to check their vehicle history online)

Cartell.ie is a new company and car history checking was only brought to Ireland in May 2006. The company continues to see steady growth, but there is no doubt that the rate of growth has been affected by the downturn in the used car market. Buyers are warier now of vehicles being sold. This is partly due to the increase of vehicles for sale with finance outstanding. We are still spending on advertising, as the country needs to be made aware of the potential for vehicle fraud. However the number of people buying vehicles has reduced and so has the number of ears listening to the message. Therefore business logic demands that the spend must reduce accordingly.



George O'Connor

(George O'Connor is general manager of Enterprise Rent-A-Car in Ireland)

It's incredibly difficult to predict a bottoming out of the recession, but there's some optimism among small businesses in Ireland right now. We work closely with hundreds of small firms so we have a good overview of how they're tackling their costs. Managing transport more efficiently is a big part of that. Certainly, the companies that have taken action to gain efficiencies within their business will be in a good position to grow once the storm passes. Few are bullish enough to predict exactly when that will be. There's been a turn away from paying mileage reimbursement to employees. That's when companies let their people use their own vehicles for work and then pay them per mile travelled. It can seem like small amounts, but in a company that has people out on the road regularly it can add up. Small businesses have looked towards renting vehicles instead. For mid-to-long journeys, it's almost always more cost effective, and the need to hire a vehicle can help discourage unnecessary mileage.

Joe Hussey

(Joe Hussey set up Via Consulting this year. The firm provides business and IT consultancy)

The challenge of being involved in a small business in the current trading environment can be hard. The most frustrating aspect is the bunker mentality of some businesses. Tighter budgets should not mean standing still. There are many ways to get the most out of budgets such as looking at outsourcing, clinically analysing existing spends and looking for opportunities with savings accrued. We feel that it is going to be even more difficult in the next 12 months. This is the time to be lean and mean and offer our services to assist in that quest. Our focus on cutting costs has centred on providing a fixed price guarantee and focussing on helping clients reduce IT costs without impacting service or their business in



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general. In terms of our own suppliers, we engage sometimes in barter arrangements.

Bo Nielsen

(Bo Nielsen is chief executive of Rib World, a specialised producer of baby back pork ribs)

Credit and obtaining liquidity when you need it is currently our main challenge. Trading conditions will continue to be extremely difficult without the normal availability of credit and conditions will only improve when the banks start to function properly again. We are growing our business on target. It is very challenging work but achieving our goal is our main focus. We do not allow ourselves to get fed up. We have a very specialised high-tech production plant in Clonmel with the capacity to increase output significantly. So our focus has been on increasing sales and we are continuing to achieve a 40% year-on-year increase in turnover as we grow our export customer base.



Darren Walsh

(Darren Walsh is general manager of DMG Group, which is involved in document management, scanning, storage and confidential destruction)

The downturn has been swift, sharp and widespread across all industries. There has been a sudden rush to cut spending as companies use every means to restrict or eliminate activities that do not improve sales in the near term. While this is understandable, cost reduction on its own

will not steer a business safely through the economic downturn. We review all suppliers on an annual basis, while continuously reducing the vendor base to remove administration costs.

SMEs have seen a rapid decline in cashflow as a result of slowing customer demand and evaporating lines of credit, and I believe that trading conditions will become more difficult in the near to medium term. Like many other SME managers, there are times when the current trading conditions can present significant challenges. However this promotes learning and develops personal attributes.

Michael O'Mahony

(Michael O'Mahony is a partner in accountancy firm O'Mahony Donnelly)

We have actively identified internal efficiency savings which we have passed on to our clients in the form of reduced fees. Our credit and cost control measures have also been strengthened

We have mainly focused on identifying and removing unnecessary expenditure and postponing non-urgent spending. It is unclear whether the worst has arrived but I think we are likely to be quite near to the bottom. I would think most firms have taken the necessary action and re-adjustment by now.



Joy Redmond

(Joy Redmond is marketing and operations director of Flexitimers, a website connecting interims, consultants and contractors to companies with flexible projects)

Our most dramatic move in response to the downturn has been to offer the site for free, yes no revenue. The reason we did this bold move was to encourage site trials. We cut our online advertising budget which

hasn't had a huge impact on traffic as our visibility has increased. I had reduced the spend before the recession because the conversions were not our target market. Today, direct traffic, referrals and organic results are bringing high-skilled professionals to the site so we're happy. Most of our activity is online so we don't have huge overheads.

Online recruitment has changed considerably in the past few months. The power is now back with the employers, so much so that managing applications rather than finding applicants is the pain point now, so we've that in mind. Sometimes one can get fed up with the challenge of small businesses but I wouldn't have it any other way. I love starting with only an idea and seeing it come to life. Furthermore, I don't think bigger businesses are having an easy recession either.



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Doing it for yourself and saving money is the new mantra for all of us in these recessionary times. The internet is proving a great source of information and allowing the sale of traditional services at considerably reduced cost to the end user. In effect bypassing the middle man.

Paylesstax.ie is a new website offering professional services in a new format which provides the tools for people to complete their own tax returns without engaging an accountant. It is a fixed fee per annum and for anybody dealt with in the tax self-assessment system it is a definite way to save money on accountants' fees and at the same time find out how to save tax.

Customers do the number crunching themselves and save and maintain their own tax records. This is easy to do and only requires customers to complete data entry of figures and their computer systems do the rest. There are numerous help buttons throughout the system to guide customers through the process. In addition there are help videos and also free seminars to show customers how to get maximum benefits from the website.

Paylesstax.ie complements the Revenue ROS system but unlike ROS it shows how you can save tax and also works out all the figures for you. Customers are not left alone to deal with the Revenue and may avail of a tax return checking service provided by the **paylesstax.ie** tax consultants all of whom are either chartered accountants, ex-revenue officials or qualified tax consultants.

For property investors, sole traders, share investors and PAYE earners with other sources of income **paylesstax.ie** provides a comprehensive tax management package. Once-off consultations are available to deal with particularly difficult tax problems and the **paylesstax.ie** tax consultants can also deal with Revenue audits for customers.

With the 31st October tax deadline rapidly approaching, this website is sure to be busy. There are 580,000 people in the tax self-assessment system who will be obliged to send in a tax return to Revenue before the end of October. The basic cost for someone in the self assessment tax system is €199 vat inclusive. This allows you complete a tax return for year 2008 and also your final tax calculations.

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Your bank – supportive or not?

Ed Byrne "The banks we deal with are not as communicative as they had previously been."

Shane Deasy "Yes, so far they have been supportive, but we have not really looked for anything from them. I have heard some nightmare stories though from other companies who would be a similar size to us."

Jeff Ahern "We have been happy with the support to date but realise that cashflow is the single biggest issue for SMEs. On behalf of our dealer network, we would like to see finance being made available to consumers as this seems to be a huge road block in the market."

Joy Redmond "We successfully raised a loan from Ulster Bank in Gorey just before Christmas and also finance from First Step."

Bo Nielsen "The banks are in a difficult place at the moment and irrespective of our wishes it is difficult for the banks to maintain credit lines and or increase them as they also have problems raising finance for their own operations."

Joe Hussey "Not tested yet. I would hope so. Personally I have a very solid relationship with my branch manager. It's the upper echelons I worry about and the lack of discretion at local level."

Michael O'Mahony "Considering the dramatic change in bank's lending policies, which has largely been initiated by external forces, I consider my bank to have been very good in supporting my business and have come some way to facilitate our requirements."

Tara Wilson-Black "Yes they are supportive and that is because we have been seen to be proactive in adjusting our business to cope with the recession. Whatever you did last year and the year before to attract sales and keep your business fluid, scrap it and rewrite the script."

Darren Walsh "We have always maintained a solid relationship with our bankers who have continued to provide ongoing support through these turbulent times. Our business model allows for fairly straight-forward decision making processes from a banking support perspective."

What sort of government incentive would prompt your firm to hire a new employee?

Joy Redmond "I think every SME needs another pair of hands but can't afford to pay a reasonable salary. So some sort of incentive that allowed people who've been made redundant to maintain their welfare payments with a top-up from the employer that would bring them nearer to their original salary."

Joe Hussey "During their first year, an employee should be fully paid for in my view or significantly subvented, at least to the level of what it would cost the government to pay the individual's social welfare etc."

Bo Nielsen "A two-year exemption for paying PRSI and tax for any new employee."

Paul Hourican "Cut the cost of PRSI."

Tara Wilson-Black "Abolish PRSI for the first year of a new hire and reduce taxation. It's

the only way forward. The minimum wage should also be reduced. It's too high compared to other European countries."

Michael O'Mahony "If the government introduced an employer's PRSI exemption for a period, it would help employers substantially and take people off the Live Register, saving the government money. Alternatively some form of grant scheme would also be attractive."

James Lenehan "The government pays 25% of salary in the first year for a person who is hired from the dole queue."

Ed Byrne "Funding and guidance for expansion into new markets, or to provide research on developing new products. The sort of thing one doesn't spend money on in a recession."

James Lenehan

(James Lenehan is managing director of Win Win, a specialist in travel and leisure promotions, customer loyalty and retention schemes)

Our business is going pretty well. We have seen an increase in demand for measurable promotions as customer retention takes centre stage. Redemption rates are up 20% year on year. We have recruited a few new staff this year, and have invested in new technology to keep ahead of the curve. We have renegotiated our telecoms, print and core leisure supplier contracts, and they all seem happy enough to do so and retain a committed client. From what I see, most people are just getting used to life like this.



Tara Wilson-Black

(Tara Wilson-Black is managing director of printing firm Select Digital and founder of the website Irishwomeninbusiness.ie)

I don't think we have hit the bottom. The uncertainty in the government and

their lack of vision will ensure Ireland's recovery is slow and painful. Change starts at the top and filters through. You need to lead by example and our government is struggling with that concept. In response to the downturn, our company has become involved in social media, especially through launching Irishwomeninbusiness.ie. This has led to a 40% increase in traffic to our website and a 20% increase in sales. Networking via IWIB monthly meetings has been very effective.



Our suppliers have been asked to look at their prices and become more competitive. A 20% reduction has been requested to cope with the bad debts mounting monthly. There is little or no help from the government or any of the State agencies, which are so out of touch which the basic needs of today's SME that they are useless. I am sick of being told everyone needs to share the pain. I feel the pain is being unfairly administered, with those at the top in government and banking feeling a pin prick compared to those of us on the ground operating a small business.

Paul Cadden

(Paul Cadden owns the Saba restaurant in Dublin city centre and Saba take-out in Rathmines)

If you are a restaurateur you are naturally an optimist and have a determination to succeed. There is no doubt that the trading environment has become more difficult for



small businesses. Rents are out of kilter, local authority charges and rates are unsustainable, and these will all have to come into line now if businesses are to survive. Restaurants have responded courageously to the economic downturn, offering unprecedented value to the consumer. However, what we do not want as an industry is a race to the bottom on price, where quality suffers and businesses are just staying alive. We have launched new fixed price daytime menus, and we are launching new promotions like cocktail evenings, cookery classes, wine buff evenings etc. In Ireland, VAT on food is 13.5% and on beverage it is 21.5%. The government should follow France, which recently cut the VAT rate in restaurants from 19.5% to 5.5%. This is forecasted to create 40,000 new jobs. **BP**

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