

TIPS

for businesses
to prepare for the
impact of COVID-19¹

Visit: www.visionfund.org

¹ This document is adapted from CPA Australia "Preparing for COVID-19: Tips for small business to prepare for COVID-19" available from <https://vflink.it/cpaaus-covid>

The coronavirus or COVID-19 presents a significant threat not only to human health but also to business. For many businesses, government announcements to contain the virus may result in a sudden fall in demand for products or services, labour shortages and supply disruptions.

Businesses must assume that health authorities will ask people to stay home to contain the spread of COVID-19, or that large numbers of your local population will voluntarily stay home. This will result in people consuming less and purchasing in different ways. It will impact staff availability and may also disrupt supply chains. In short, COVID-19 will be a shock to many businesses that could place their immediate future in serious risk, and there is no way of knowing how long this pending crisis will last.

The following checklist of questions is for VisionFund CROs and Loan Officers to help their clients to adapt to the COVID-19 outbreak.

Questions and Discussion Guidance:

Staff Management and Care

Remember that staff are one of the key resources of your business. Looking after your staff makes good business sense, as your staff will enable you to adapt to the situation and help you bounce back after the crisis is over.

- **What arrangements have you put in place to reduce the risk of staff becoming infected, especially staff working in your premises?** This could include things such as hand sanitisers or handwashing facilities and making changes to the work environment to ensure staff keep a safe distance from each other (2 metres is recommended), and cleaning/disinfecting the business premises more frequently.
- **Ensure regular communication with staff, including regular check ins on their health** and the health of their family. Ensure that your staff understand the needs for good hand hygiene and social distancing. Establish WhatsApp/ mobile contact groups for your employees to help share information on any employee being sick, to reduce risk for the other staff, share updated health messaging.
- **Can you and your staff work remotely?** If so, test how this would work.
- **Consider your ability to allow additional flexibility for staff:** some staff may need to care for dependents if facilities like childcare and schools are closed, or if they or family members are unwell.
- **If you are struggling with cashflow and must make the difficult decision to reduce your payroll, consider offering reduced hours** to all staff rather than laying off staff. This will provide contingency in case staff members or their families are sick and will also provide some income to more people.
- **Consider: what will you do if a staff member, or their family or a customer catch COVID-19?**
- **How will you monitor the health of others that may be exposed?**

Stock Management

- Take steps to increase sales, especially of stock that may not last three to six months.
- Focus your promotions towards these stock items.
- Reduce stock orders, particularly stock you assume will be in low demand during the crisis.
- Increase purchases of stock you think will be in high demand during the crisis.
- Promote the selling of excess, slow moving and/or obsolete stock.
- Ask your suppliers whether they expect the crisis will impact their ability to supply your needs.
- Establish relationships with alternative suppliers and test how quickly they can meet your requirements. Start price negotiations early.

Customers

- If you have received orders that you cannot fill, tell the customers as soon as possible and help them find alternative suppliers.
- Make it known to existing customers that you are open for business.
- Consider providing incentives for existing customers to introduce their family and friends to your business.
- Make sure your premises are clean and hygienic for customers. For example, have hand sanitiser readily available, or limit the number of customers in the premises at one time to prioritise their (and your staff's) safety.

Debtors Management

- Contact your debtors and ask them to pay you, even if before the due date.
- If your debtors are experiencing cash flow difficulties themselves, negotiate periodic payments and make sure they stick to their side of the deal.
- Invoice as soon as the product or service is delivered ... don't delay.
- Reduce debtors by encouraging customers to pay at the point of purchase or to pay early.
- Only pay commission to sales staff when payment is received on their sales.
- Review your sales contracts to determine under what circumstances customers can cancel orders. If necessary, update those contracts to limit the ability of customers to cancel orders.

Creditors Management

- Seek payment extensions, even temporarily to your credit terms with suppliers.
- Check your supply contracts to determine under what circumstances you can cancel orders if necessary, or at least delay delivery.

Spending

- Cut spending you believe unnecessary in a crisis, such as advertising.
- Delay unnecessary investment and capital expenditure.

Spending

- Look at different ways to deliver your product or service to your customers. For example, can you offer delivery or takeaway services to reach customers who are concerned about the virus? Can you move to online service option? Can you move to non-cash payment methods like mobile money to reduce the risk of transmitting COVID-19 on physical cash?
- Re-evaluate your core competencies and whether you need to adapt your core business activities during the crisis to seize the crisis as a business opportunity. For example, if your core competency is in producing quality garments, can your staff and machinery can be repurposed to producing face masks or medical gowns?

Staff Management and Care

To be able to make the best possible decisions in a difficult environment, you need access to the most up-to-date information on your business finances. Therefore, we recommend you bring your financial records and statements up to date and keep them up to date.

If your business is already impacted, start by listing what those impacts are. If you are not impacted yet, you should still be able to make some informed projections. In listing those possible impacts, attempt to quantify what those impacts will have on your business and identify possible strategies to mitigate those impacts.

Possible impact of COVID-19 on business	Estimate of impact	Possible ways to adapt
Example: an 80% drop in customers visiting your business for 1-2 months	A 50-80% fall in sales for 2 months meaning you have less cash reserves	<ul style="list-style-type: none">• Act now to build your cash reserves• Invest in ways to sell online or through delivery• Reduce orders of stock

Re-Do your budgets and planning with new assumptions

The assumptions you may have used to produce your budget are most likely no longer relevant because of the crisis. Take the list of possible impacts of COVID-19 you have developed and re-do your budgets. Include a range of possible previously unthinkable scenarios, such as a 50 to 80 per cent decline in sales over three to six months, or a supplier being unable to supply you a key item for six weeks. Carefully consider how each of those scenarios impacts your cash flow.