TRAINER'S BOX®

How to Save a Struggling Small Business

Infusionsoft

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The hard facts of small business

First things first, let's get the grim statistics out of the way. You know, the ones stacked up against the entrepreneurial spirit that sparks the start of small businesses around the world—the ones that can send a small business spiraling down to the entrepreneurial **Valley of Death**. Undoubtedly, starting and running a small business can be risky and scary.

The leading cause of business failure is insufficient **cash flow**. As many as 82 percent of small businesses fail because of cash flow issues.

If that wasn't startling enough, here are the other top reasons why small businesses fail:

- 79 percent fail because they **start with too little money**
- 78 percent fail because they **lack a well-developed business plan**, including insufficient research on the business
- 77 percent fail because they **didn't price things properly** or failed to include all necessary factors when determining prices
- 73 percent fail because they were **overly optimistic about achievable sales, money required**, and what they need to do to be successful

- 70 percent fail because they **don't recognize, or accept, their weaknesses and don't seek help from others**

We'll take a closer look at the common reasons for failure in the next chapter, but it's no wonder many small business owners easily lose confidence and give up too quickly instead of plowing through the tough times. But in many cases, that's the exact opposite reaction small business owners should have.

Despite these staggering statistics, there are things you can do to improve the health of your business and turn things around.

For starters, don't give up

Often, some of these challenges are a natural part of starting a business. That's why it's important to take a deep breath, refocus, and not give up. Don't lose the **passion and drive that motivated you to start your business** in the first place.

Think of the tough times as the "growing pains" you experienced as a child. You didn't reach the height you're at now without experiencing some pains in your joints as your body transformed from a toddler to a young boy or girl.

The same logic, or "growing pains" can apply to starting a new business. Take for example never having enough time or constantly putting out fires—you can probably relate to those pains.

These are actually common struggles many small businesses encounter—**but they can be solved**. If struggles start to take over the business, or business owner, they could lead to failure. That's why we can't stress enough the importance of taking a step back and looking at the overall state of your business and identifying the root cause of the problem. It may be something that can be resolved and prevent business failure.

In this guide, we'll share eye-opening information you won't want to miss, especially if your business is at risk, including:

- Common reasons why small businesses struggle and fail
- Things you can do to save your business from failing
- Takeaways from large, multi-billion businesses who struggled and made a successful comeback

So chin up, passionate small business owner. Let's get started.

Common causes of failure and how to avoid them

As we mentioned earlier, aside from cash flow problems being the biggest reason why small businesses fail, there are other common causes of failure. Let's take a closer look at those now.

They don't understand their market and customer

Starting a business without thoroughly researching and **identifying the target market, ideal customer**, and customer buying habits can lead to failure.

They don't have a clearly defined pricing strategy

Setting prices too high or too low will affect sales. Without the right combination of market trends, product quality, customer demand, product differentiation, and correct pricing, a business will fail.

They don't know how to plan financing needs

If a business is new or expanding, it needs sufficient financing. However, that's not enough. Miscalculating and underestimating how much they'll need or securing the wrong type of financing can lead to business failure.

They don't anticipate or react to competition, technology, or other market changes

Assuming what worked in the past will always work is dangerous. Businesses that don't factor in market changes,their competition, changing technology, or the value of experimenting with new ideas are likely to fail.

They think they can do everything on their own

One of the biggest challenges for entrepreneurs is to let go of control and rely on others to finish the job. When entrepreneurs fail to let go and seek help from others, their business can fail.

They grow too fast and can't manage it

Aesop was on to something with his classic, ***The Hare and The Tortoise***. While business growth is great, slow and steady wins every time. It's hard to believe that too much business can lead to failure. While it's tempting to go for it all, steady, predictable growth that's properly managed is healthier than uncontrolled jumps and spurts in volume. Keep in mind the 80-20 rule—80 percent of your business will come from 20 percent of your customers.

You may be experiencing one of these common causes right now in your small business. While it's not an easy or pleasant situation to be in, there are things you can do to turn things around and make a successful comeback.

10 things you should do to save a failing business

1. Change your mindset

Before you do anything else, the first thing you need to do is change your mindset. When your business is struggling, it's easy to feel hopeless and look at the glass half empty. But if you want to make a comeback, you have no other choice but to change your mindset.

We know, easier said than done. Especially when your inner voice keeps sending you negative messages—"you're going to fail," "you don't have the courage to take that kind of risk," or "there's no point in even trying anymore." The negative inner voice has to be silenced ASAP.

Follow these steps you can take to silence the negative inner voice:

- **Acknowledge it:** Acknowledging it is the first step in taking charge. When you pay attention to the number of times your inner voice is getting in your way throughout the day, you'll be surprised how often it rears its ugly head and prevents you from doing amazing things.
- **Challenge it:** When your inner voice tells you something negative, like "you can't do this," challenge it. Ask yourself if what you're hearing is really true.
- **Silence it:** Once you've nailed acknowledging and challenging your inner voice, learn to silence it. One

thing you can do is imagine you have a remote that controls your negative inner voice. When it rears its ugly head, zap it with the mute button.

- **Fight back:** Replace negative dialogue in your head with positive dialogue. Tell yourself things like, " I can do this," "I'm strong enough to get through this setback," or "I'm growing and learning every day" and believe it.

A positive, flexible mindset will help you take on the other things you can do to save your business, improve your well-being, and increase your confidence.

2. Perform a SWOT analysis

A SWOT analysis is a strategic exercise you go through to identify your small business' strengths, weaknesses, opportunities, and threats. It's a helpful exercise you can use to analyze your current performance, identify things that are going wrong (problem with **product-market fit**, pricing, operational processes, etc.), and discover areas where you can make improvements.

Use our free **Strategic Planning Kit** to walk you through the analysis and planning process from start to finish.

3. Understand your target market and ideal customer

The more you know about your **target market** and ideal customer, the better you'll be able to understand where you should focus your efforts, the needs and pain points your product or service can solve for customers, your target customers' buying behavior, and develop a strategy that's the right fit for your business.

4. Set SMART objectives and create a plan

Make a list of your SMART objectives for your business. This will give you clarity and make it easier for you to stay focused and work towards achieving them.

SMART stands for:

Specific: Clear enough to fully understand

Measurable: Can determine when it's complete

Achievable: Can be accomplished

Relevant: Is connected to your overall game plan

Time-bound: Has a deadline with specific dates

Next, create a plan that will put your SMART objectives into action. As you create a plan, think about the steps you'll need to take, how long it will take, and who will help you.

5. Reduce costs and prioritize what you pay

To keep your business open, most likely you'll need to "trim the fat," or reduce costs. Start by cutting discretionary, or unnecessary expenses. Then, look at areas where you can cut cost like travel expenses or reduce your utility usage to lower your monthly bills. If you're renting office space, talk to your landlord to see if they'd be willing to reduce rent or renegotiate your lease. The last place you'll want to cut costs is people. If you find yourself in a really tough spot, try reducing employee hours and compensation before laying them off.

6. Manage your cash flow

As you know from the statistics we mentioned at the beginning of this guide, 82 percent of small businesses fail because of cash flow issues. It probably comes as no surprise that without consistent cash flow, businesses will eventually dry up and end up failing.

Create a cash flow forecast so you have insight into what's coming in and what's going out. Use the forecast to project likely sales and expenses, so you know how much money you're likely to have in your bank account. You'll also want to **manage your cash flow more efficiently** by sending invoices out on time and following up with customers who haven't paid. You can streamline this tedious process with a payment and invoicing tool like **Infusionsoft payments** to save you time and help you get paid faster.

7. Talk to creditors, don't ignore them

If you're like most small business owners, you probably have debt to pay. Many business owners see debt as a sign of failure, but in reality, **small businesses who have debt have higher credit scores**. Try not to feel too overwhelmed by outstanding debt or avoid creditors. That only makes matters worse.

Instead, talk to your creditors and explain your situation and your plans to pay your debt. Most creditors are understanding and willing to work with you if they're confident you'll eventually pay what you owe.

8. Organize your business

Many times organization is often overlooked by business owners. Lack of organization not only results in measurable losses, like lost time and money, it negatively affects your business reputation, adds a significant amount of stress to your life, and makes it difficult to work efficiently.

Taking the time to **organize your business** will not only help you save time in the long run, but it will also help you breathe easier, lower your stress levels, and free up time spent on organizing so you can do great work.

9. Stop wasting time on repetitive tasks

Small business owners have a lot on their plate, no doubt about that. There are a lot of repetitive tasks

that go into running a small business. Tasks that take up a lot of valuable time when they're done manually. **When repetitive tasks are automated, it saves money and frees up time to work on growing the business**.

10. Always focus on your customers

Keeping customers satisfied and happy has never been more important than it is today. We live in a world where customers demand more, and if business owners don't meet increasing expectations, customers will voice their opinion on social media and go elsewhere. It's a hard fact, but that comes with running a business nowadays. Tools like **Infusionsoft** make it possible for small businesses to deliver personalized service and create happy customers.

3 great corporate comebacks

We know you're not Apple, Starbucks, or Best Buy, but there's something to be said for entrepreneurial-minded business owners who stuck it out through the tough times and made some of the greatest comebacks of all time.

Let's take a closer look at the struggles some of these large corporations faced.

Apple

When it comes to comebacks, Apple is probably the most well-known success story to date. But for younger generations, this comes as a shocker.

Wait, Apple was a struggling business?

No way!

Actually, yes way.

Back in the 80s, the well-known tech giant was on the verge of bankruptcy. At the time, media was predicting the death of the company, which was losing $1 billion a year.

After Apple realized they made a mistake letting Steve Jobs go, they made the smart decision to bring him back. He had a daunting task ahead of him, but that didn't stop him. He acted quickly and took three significant steps that turned things around for the company and made them the household staple they are today. Here's what Steve Jobs did:

- Partnered with “the enemy”—Microsoft. They came to Apple’s rescue with much-needed capital (a $150 million investment) in exchange for rights to ship Microsoft Office and Internet Explorer on the Mac.
- Nailed down their core product offerings. After seeing consistent success with their core products, they began diversifying their product offerings. They went on to make iMacs, iPods, and iPhones.
- Opened Apple Stores so their products were front and center in the market.

As a small business owner, you probably don’t have access to relationships with large corporations the way Steve Jobs did, but there are a few things you can take away from this story.

Key takeaways from Apple’s comeback

Takeaway 1: Don’t be afraid to make difficult decisions to get your business back on track. That means cutting costly projects and eliminating expenses.

Takeaway 2: Don’t be afraid to experiment. Try something new. If you fail, it’s OK. Learn from it and quickly adjust your strategy.

Takeaway 3: If your product or service isn’t selling, go back to the drawing board. First, make sure you’re targeting the right audience, and they have a need for your product or service. If the issue isn’t the audience, make sure your product or service is solving the problem it’s intended to solve. If not, it’s time to make a change.

Takeaway 4: Adding a product or service may be all you need to turn your sales numbers around.

Starbucks

Back in 2008, Starbucks wasn't the largest coffee retailer it is today. They were struggling with a financial meltdown as a result of growing too fast and stumbling on their own feet. Remind you of growing pains?

In 2008 when the economic slowdown hit, people were looking for cheaper options for their everyday cup of joe. While quality is great, Starbucks' coffee has always been on the pricey side. As a result, they were **forced to close 977 shops and cut 18,000 jobs**.

Howard Schultz returned as CEO after being away for eight years. Upon his return, economic conditions continued to worsen, and he realized the rapid growth made everyone in charge forget about making their shops inviting with new products. They were facing competition from lower-priced coffee providers like Dunkin Donuts and McDonald's.

He knew he had to shake things up to save the company. The immediate actions Howard Schultz took when he returned were:

- "Trimmed the fat" by closing shops that weren't doing well.
- Asked employees to send him emails with suggestions for improving their shops.

- Temporarily closed all shops for retraining.
- Re-strategized the company's advertising campaign, with a strong focus on social media.

Starbucks may have lost focus during their rapid growth, but they regained it and brewed just the right blend that took them from struggling to the largest coffee retailer.

Key takeaways from Starbucks' comeback

Takeaway 1: Go back to what made you great in the first place. The personalized customer experience and product or service your customers loved may have gotten lost along the way.

Takeaway 2: Get back to the basics, but don't stop innovating. Think about new ways of doing things. Change a workflow that's consuming too much time and money or try a different approach to building brand awareness. Embracing new technology and workflows can make all the difference.

Takeaway 3: People and ideas matter. Listen to what your employees and customers have to say. They have ideas and feedback that can inspire you to make a change you might not have even thought about if you were trying to fix everything on your own. Also, make sure your entire team is trained correctly, so everyone's consistently providing a **personalized customer experience**.

Best Buy

With increasing online retailers and online shopping continually on the rise, brick-and-mortar retailers are feeling the impact in their pocketbooks. Even large retailers like Best Buy, which was headed towards bankruptcy like its former competitor Circuit City (they went out of business in 2008).

The good news is, Best Buy was able to turn itself around and become the largest brick-and-mortar electronics retailer in the US. In 2012, they brought in a new CEO after a couple of years of declining sales and problems with their former CEO. New CEO, Hubert Joly launched a "Renew Blue" strategy which focused on the fundamentals of the business. Hubert Joly took these steps to save the company:

- Tactfully closed low-performing stores and cleaned up disorganized stores.
- Introduced exclusive Best Buy products and new services (price matching, faster delivery, and more) that would improve the customer experience.
- Integrated the online and in-store experiences to accommodate various buyers' journeys.

Since then, Best Buy has successfully completed their "**Renew Blue**" strategy and is now focusing on further growth and deciding where they want to go from here.

Key takeaways from Best Buy's comeback

Takeaway 1: Evolve with the changing market. Think about different ways you can start offering your product or service. Instead of making your customers come to you, give them the convenience they demand by going to them or delivering as fast as you can.

Takeaway 2: Invest in the customer experience. When you're competing against online retail giants like Amazon, who have billions to put towards super-fast delivery service or robot technology, don't give up hope. Put your time and effort into the human factor technology is lacking. **Create a personalized customer experience** your customer will love.

Takeaway 3: Reduce costs without making a lot of noise. Making a comeback usually requires cutting costs. Find creative ways to reduce costs, so they go unnoticed by your customers. The same goes for employees. Take into consideration their livelihood and only lay off employees as a last resort.

While you may not be a large, multi-billion corporation like Apple, Starbucks, and Best Buy, you can learn a lot from their experiences and use the takeaway insights to save your business if it's failing and you don't know what to do.

What you think and do matters

If your small business is up against the odds, you're probably feeling down, and your confidence may have taken a tumble. It's hard not to feel down when everything you worked so hard to achieve isn't working out. However, doubting your abilities will negatively impact your business and any chance of making a comeback.

Remember, running a small business can be one of the most challenging and most rewarding things you can take on. **Failure is a natural part of running a business**, but it hasn't stopped entrepreneurs in the past, and you shouldn't let it get in your way either. In fact, entrepreneurs who previously failed are twice as likely to succeed compared to first-time entrepreneurs.

Changing your mindset, believing in yourself, and looking at these tough times as learning experiences will help you climb out of the rut. Successful small businesses have four common characteristics that we recommend all small business owners adopt.

4 common characteristics of successful small business owners:

1. **Knowledgeable:** They know their market and make sure there's a demand for their product or service before they develop it.

2. **Disruptive:** They enter the market with a distinction that sets them apart from their competition.
3. **Persistent:** They stay strong and don't give up.
4. **Humble:** They rely on a mentor to guide them when they're starting out and throughout changing business climates.

With the information we shared in this guide, you can start taking action and make a difference in your business starting today. It begins with **you**—change your mindset.

So chin up, passionate small business owner. Don't be afraid to step out of your comfort zone and try something different. Go out there and make something of yourself and make a difference because what small businesses do matters.

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