

Contingency Plan Template



BUSINESS TEMPLATE

Thank you for downloading this contingency plan template.

Building resilience in your business will help you face whatever future crisis, large or small, that is coming your way. This plan will help you build a stronger business better prepared to cope.

In addition to the instructions below, some sections have summaries that briefly explain how to fill out each box.

Develop an early warning system

When you're running a business, it can be tough to deal with bumps in the road.

Having alarm bells in place lets you deal with any issues and trigger action before things get out of hand. Choose which business drivers you want to monitor, set thresholds to trigger these warnings and then take action to improve them as soon as they deteriorate.

Your financial drivers

Your financial information doesn't tend to lie, and is often the first place you'll get advance warning all's not well. Explain what you monitor and how — such as your average sale, gross and net profit margins (in case competitors are undercutting you), accounts receivable (customers could be paying late), and cashflow (if you're in danger of running out).

Your sales drivers

A fall in sales revenue is an obvious red flag, but it's useful to find out why. Outline what you're monitoring, such as: acquisition (fewer calls, queries, demos, meetings booked, foot traffic); retention (customers switching to competitors); web traffic and leads (distracted customers); conversion (fewer leads become customers); or social media participation (less relevance).

Your industry drivers

Every industry tends to have its own drivers. For example, builders may monitor new building consents, retailers look at foot traffic and inventory turnover, and farmers keep an eye on market prices.

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Tools to monitor your business success

Identifying red flags can help you get to the problem early. Automating data means you can measure and set thresholds, while accounting software helps monitor things like cost of goods sold, buying trends, gross profit and lifetime value. Marketing CRM software, search engine and social media platforms can also help to detect slowing demand.

Build mental stamina and support networks

Developing a support network can help you cope with the stress of being in business, and to know where to seek help when you need it.

People you rely on

It's rare for anyone to run their business without help or advice. You can find a number of business support agencies in your local area, as well as family and friends who would be happy to help. You could also access professional help from accountants, legal or specialist consultants.

Businesses in your network

Other businesses often share the same issues, and can help you solve your current dilemma.

Outline any businesses you can collaborate with to reduce your overall burden. Focus on small wins rather than trying to solve everything set short-term achievable goals and celebrate every success.

If you know of another business owner struggling, reach out to them to ask if they are ok and how you can help.

Organizations you could join

Are there any local, national or international organizations you can join that could offer support?

Research if there are any groups that could provide industry specific support. This could include access to mentors, training, seminars and workshops, conferences and regular meetings. List any non-industry specific business groups you could join up with, such as your local retailers, manufacturers group or chamber of commerce.

Maintain a balance

It's essential to take care of your physical and mental health. Getting enough sleep, eating well, being kind to yourself and prioritizing your mental and emotional wellbeing can also help your mind and body become more resilient to change.

Find a mentor or friend who has industry experience and a background in the help you need.

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Create a cash buffer

Having a cash reserve buys you more time to solve what needs fixing.

Decide how much cash you'd like in reserve (multiply your monthly working capital by the number of months you want as a buffer), then build this amount from either business cashflow, savings, or external funds.

Assets you can convert to cash

Current assets are items that can be quickly sold and converted to cash. Common examples include reducing the level of raw materials or inventory (use 'just in time' principles) or clearing old or surplus stock (without re-ordering). Fixed assets are usually the more expensive items you've purchased to run your business and typically last more than one year. Think about taking the opportunity to streamline and sell anything you no longer need.

Common examples to convert to cash are excess technology, spare office equipment and furniture, or any machinery, plants or vehicles you can sell (and lease back if required).

Raising funds

If you need to improve your cashflow temporarily, try to bring forward sales by offering customers incentives to purchase in advance, or early-payment incentives such as discounts. Other tactics include asking for advance payments for future work.

Establish your capacity

Outline the current output of your business (how much work you can manage in a week or month). The limit on the hours you can charge, products you can make, or services/customers you can support. Then outline how you'd scale if you managed to secure a large order. What extra equipment or products do you need, and how much of a financial investment will be required to meet customer needs?

Include alternative sources of suppliers, and any systems in place to manage rapid growth.

New sources of capital

If you think your business is just experiencing a short-term crisis, you may want to raise more capital. The easiest way is to invest money from personal savings, or you could use spare equity you have in assets such as real estate. Other sources include borrowing funds from relatives, friends, or the bank, or selling parts of your business to outside investors.

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Teaming up with other businesses to work towards common goals is a smart way to increase capability, and share resources, costs and risks.

Collaborating and partnering

The internet, sub-contracting, and access to talent from around the world have made collaboration and partnerships even easier. Partnering with other businesses can be formal (a contractual obligation), informal (verbal agreements), significant (sharing suppliers and long-term customers), or ad hoc (coming together as and when you need).

Collaboration opportunities

If you face a crisis and can't get your business back up and running in a short space of time, knowing you've got back-up from other companies can offer reassurance for both you and your customers.

Collaborating can help you access new product/service lines, develop new product knowledge, reduce costs, fill expertise gaps in your business, enhance capacity to bid on larger contracts, access volume discounts, speed up new customer development and access new business models.

Collaboration partners

Thoroughly research and evaluate all potential partners by seeking out companies that share your business ethic, strategy and expectations of working together. List partners and what you're hoping to achieve from each.

Finally, get everything in writing and spell out roles and responsibilities such as ownership, the people involved and everything in between.

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It's sensible to grow with the customers you already have at first, and then look further afield to find new ones.

Find customers and diversify

Sustainable sales growth is often the best way to build a stronger business because of new competition, slowing demand, new business models, or changing customer needs. There may also be customers who no longer need what you do.

Sell more to existing customers

One of the easiest ways to achieve an increase in sales is to sell more to your existing customers, using the tactics that you know already work. Identify the customers who generate the most profit for your business or who have the most potential for additional sales. Actively engage with these customers to gain more sales using your tried-and-true tactics.

Target new customers

Profile your ideal customer, then list customers with similar needs that you don't currently promote to, or find leads within your existing networks. Promote the same way you do now, using the marketing tactics that work. Don't forget to ask for referrals if your customers know other people just like them.

Find new markets

There may be a number of potential new markets that in the past have been too small (or too big) to approach. Now is the time to spread your net and prospect further than before. For example, could you target federal or state governments, the military, education, health or other growth sectors that may need what you have? Maybe you can open new branches or offices, purchase a competitor or supplier, license your intellectual property or export.

New distribution channels

If you want to find new customers, consider widening your business model. This might include expanding into different geographical locations, franchising, selling online, offering your product or service to other businesses to on-sell, exploring overseas markets, or selling through third-party marketplaces. Any tactic that gets you in front of a new customer or opportunity will be worthwhile.

Your selling process

Think about systemizing how you market so leads are added into your sales channel automatically, using customer relationship marketing software, running webinars, creating content and offering free trials or products to generate qualified prospects.

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Building capability and scale

The more capable you and your business, the more resilient you'll be.

Capability is your internal ability to run the business more efficiently, by having the right equipment, people or resources on hand to do the job or the facilities to do it in.

Scaling your business

What can you do to scale up production and infrastructure? It could be extra staff, larger premises, faster equipment, different business models, new services or different management skills to handle a business that could be two, three, or more times bigger.

Additional capability required for growth

Explain what you'll need to do in the future to manage your anticipated growth, such as: adopting technology to automate; implementing quality control systems to reduce errors or returns; get access to additional resources at short notice; finding suppliers who can keep up to speed with growth; contingency plans to employ contractors to soak up demand; or a premises or location that's suitable for expansion.

Systems to maintain the customer experience

More sales result in more customer queries, complaints, calls, returns and demands on your time. This means your customer experience should scale with your growth. To help with this, consider delegating customer contact to key employees, using customer relationship management (CRM) software to maintain communications, and if you can, developing automated customer loyalty programs.

Supply issues growth may cause

The quality and reliability of the goods or services supplied to you can be critical to your success. What steps can you take to lock in your suppliers or sign supply agreements? Can you secure an exclusive agency or distributorship rights? What if a major supplier fails? Have you investigated other sources? Do you have a back-up supplier capable of delivering a similar quality? Can the supplier grow with you? Avoid assuming a supplier can suddenly deliver a large order. The supplier may be too busy or may simply not have the capacity.

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Protecting what you have

Lock in the customers and competitive advantages you've already established.

Being resilient means making sure you retain existing market share, prevent competitors taking your customers and stop imitators replicating your success.

Your key business strengths

Describe why people buy from you, and then set out how you lock these benefits to your business. We all have things we're good at.

Protect and enhance your reputation and credibility

Reputation and credibility could possibly be your most valuable asset, as it's difficult for another business to mimic your unique style and industry experience. Can you focus on being the expert, create industry content, blog, speak at well-known events, run webinars or podcasts, connect with industry experts or use testimonials from high-profile customers?

Create barriers to entry

A barrier to entry makes it harder for another business to compete. For example, you might source unique products or services, have a contract to an exclusive trading area, are the only approved vendor, or have a well-known brand or location. Anything that makes a competitor think twice before trying to compete with you is relevant.

Protect your intellectual property (IP)

If there are parts of your business that are critical to your success, consider legally protecting and taking action if anyone breaches your rights. Your IP includes copyright, patents, designs, trademarks, trade secrets and plant variety rights. Make a list of your business essential elements you can't do without, identify if they can be protected and then weigh up the cost of legal protection versus the possible loss if your rights are breached.

Protect your intellectual assets (IA)

An intellectual asset is a competitive advantage that usually can't be legally protected, like your business contacts, networks, business know-how and knowledge of what your customers want. You can protect these assets by having staff sign confidentiality agreements, only sharing information (like prices) with qualified leads, and limiting what you place online and in the public arena. List the intellectual assets that are part of your business, and outline how you'll keep these parts confidential.

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Ongoing innovation

Businesses that stand the test of time often evolve and change.

For smaller businesses, the key to innovation comes down to listening to customers and looking for new ideas and ways to do business.

Develop new products or services

To discover new ideas, tap into what similar businesses are doing right around the world. Read up on trends online, look at research papers and see what's affecting your line of work. Social media channels are also a useful source of information, so it's worth following relevant feeds. Finally, reach out to your customers and ask them what else they need, as well as their issues and problems you can help solve.

Develop new sales channels

Apart from 'normal' online shopping, what other ways of selling can you adopt? For example, third-party marketplaces like Amazon, digital payment platforms such as PayPal, Stripe and WePay, drop shipping, on-demand delivery or resource sharing like Uber and Airbnb. Investigate if there's a new selling strategy that opens up a new business channel to your customers.

Stay up-to-date

Research what else you can make, sell or produce. Conduct online surveys or ask customers directly to discover what other products or services they might be interested in. There may be third-party research, whitepapers, university research, incubators or industry groups who all generate future-thinking concepts.

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Grow profit

Streamline your product and service mix

Invest more time and money in things that are selling well. Review all your products and services and cut any that are poorly performing or have low margins. It's often worthwhile to focus on those items or services that generate you the most profit.

Improve your output

Improving your output will allow you to deliver your products or services faster. Add staff, upgrade to the latest equipment, or change software. Try anything to speed up production.

Increase your prices

Increasing prices widens your margins immediately and should generate more cash without requiring a huge increase in sales.

Reduce costs without compromising quality

Identify what overheads you can minimize by auditing all your expenses to see what can be reduced without affecting your business operation. Renegotiate with suppliers and reassess any subscription services or set pricing plans, lower energy use, reduce operating waste, and convert current processes from manual systems to automatic to free up time for more important tasks.

Plan ahead

Thinking one, two or three years down the line can help you better predict and react to changing business conditions.

Your business in three years' time

Outline what your business will look like; the problems you solve for customers, key customer segments, your unique service proposition, the channels for your customers, how you'll generate revenue streams and protect your advantage.

Mission-critical things you need to get right

Describe the actions you'll need to take to achieve the things you outlined in your three-year goals. Try to be as specific as possible, including what you'll need to start over the next three-to-six months to trigger your plans.

Building a stronger business isn't always about growing sales, and you may sometimes be better at focusing on what drives profitability.

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Long-term strengths, weaknesses, opportunities, and threats (SWOT)

A SWOT analysis helps you understand what you're doing well (strengths), what you could improve (weaknesses) and which external factors could affect your business positively (opportunities) or negatively (threats).

Other contingencies

We've covered the main elements of a contingency plan, but it's highly likely there are other topics you need to include.

Contingency tactics specific to your business

Every business will have unique challenges. If you are in a unique industry, you may need to explain in more detail the characteristics of what works and what doesn't. Retailers have different dynamics to hospitality, agriculture, technology, construction, and manufacturing. Outline anything else in your contingency plan that you think is important to include.

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Plan date:

Business profile

Business name

Address

Contacts

Contact name

Telephone

Email

Website



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Your financial drivers

Your sales drivers

Your industry drivers

Tools to monitor your business success



Build mental stamina and support networks

People you rely on

Businesses in your network

Organizations you could join

Maintain a balance



Create a cash buffer

Assets you can convert to cash

Raising funds

Establish your capacity

New sources of capital



Collaborating and partnering

Collaboration opportunities

Collaboration partners

<i>Name</i>	<i>Collaboration objectives</i>
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Target new customers

Find new markets

New distribution channels

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Protect your intellectual assets (IA)



Ongoing innovation

Develop new products or services

Develop new sales channels

<i>Channel</i>	<i>Features/opportunity</i>
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Stay up-to-date

<i>Source</i>	<i>Type of information available</i>
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Improve your output

Increase your prices

Reduce costs without compromising quality



Plan ahead

Your business in three years' time

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Long-term SWOT

Strengths

Weaknesses

Opportunities

Threats



Other information