

**The economy is slowing down and it looks like storm clouds are gathering on the horizon? Is there a bad storm coming? Or is this just a temporary situation? Either way, it's clever for freelancers and creative businesses to prepare for the future, no matter which way the wind is blowing. Monica Davidson reports.**



There's a pervasive sense of doom and gloom about the Australian economy at the moment. Pundits are shaking their heads like suited soothsayers and warning us all to prepare for the inevitable. Economists are analysing figures with scrunched brows and writing scary articles for the paper. Financial historians are pointing frantically back to the 1980s and perceived warning signs, speculating that perhaps we're heading into another recession that 'we had to have'.

Certainly the American and European economies are looking a little shaky, and the Australian stock market has taken a hammering (as anyone with Super can attest to this year). Rents and interest rates are going up, house values are going down. Petrol prices are crippling and the cost of groceries is turning our wallets into comfy homes for moths.

The 'recession' word has started to be bandied about, which strikes fear into the heart – but what exactly is a recession? A recession occurs when the generation of products and services nationwide declines for two or more financial quarters in a row (this generation is called gross domestic product). In other words, the economy slows down, people stop buying things and companies start to retract into themselves rather than looking for new opportunities – which usually means a blow for freelancers and small business if we rely on these bigger companies for sources of work and income.

A recession is not inevitable. Markets always need to correct themselves, for it is true that what goes up must come down. A slower economy could simply be a readjustment, not a full-blown catastrophe. Businesses that circle the wagons and sound the alarm actually aren't helping the situation, and neither is the constant speculation in the media. Unlike the 1990s recession, however, Australia has a government in budget surplus. Our inflation rate is not catastrophic and employment rates are still high. There is a good possibility that these dark and gloomy clouds could blow over in time.

Having said that, sensible freelancers and creative businesses need to think about what might happen if they start to suffer for economic downturn. Even sturdy and reliable clients can slip away in the slow times. It's likely they'll be back once the economy starts to turn around (which it will, eventually). For now, it's a question of figuring out how long you can hang in there until that day comes. In the face of what could be an approaching storm, how can freelancers and creative businesses prepare for the potential downpour?

Some of the recommendations for 'normal' businesses can also work for us. Various business pundits and experts across Australia have pinpointed a few areas that all businesses need to look at.

### **Cash Flow In**

Money coming in and money coming out – it's not just creatives who suffer from an irregular income. All businesses have cashflow problems, and in the slow times it's important to have a long look forward and think about how you might shore up your cashflow for the next 12 months or so.

- Sit down with your calendar or diary and work out exactly where all your work is coming from in the next year or so. Are there vague ideas about future work that need to be solidified? If there's interest in you for an upcoming contract, get the paperwork started and get that agreement in writing.
- Regularity is a freelancer's best friend. Do you have regular jobs that can be relied on? Is it worth finding another regular client or two?
- Do you have outstanding unpaid invoices? It's time to get those clients to pay up. Is your standard terms for payment 28 days? Consider making it 14 days and creating some sort of reward for early payers (or penalty rate for those who pay late).



### **Cash Flow Out**

Time to re-examine your expenses and think about the way you're spending.

- Sit down with your business budget and work out where you can trim some fat. Look for those hidden charges, like internet access and phone bills. With so much competition out there, is it time to look for a better deal?
  - Are you maximising your tax deductions? Is your accountant a helpful partner to your business or a millstone around your already burdened neck? There are a range of tax deductions and concessions available to small business and creative freelancers, if you know the right place to look.
- Superannuation is a wonderful thing, but in slow times it's OK to cut back on your voluntary contributions. Find a super fund that allows you to make non-compulsory, irregular contributions when you can afford it. If retirement is a way off for you yet, consider focusing on the now for a little while and putting your money into savings.

### **Back to Business – Planning**

Most small and creative businesses don't have an operating business plan. It's a shame, because the process of putting together a business plan can be hugely useful and very illuminating.

- Put aside a day or two and get into your business plan. Whether you're starting from scratch or updating your plan, throw yourself into the process.
- Use this as a golden opportunity to think about your goals and hopes for the future of your freelance career or creative business. Where do you want to be in a year? In five years? When you imagine yourself as an old person, what can you see?
- Go online or head to the library and find out what constitutes a good business plan. There are always a number of courses specifically about business planning run by the government agencies and community education facilities in most cities. Make a list of the kinds of questions that need to be answered by a business plan.
- Research research research. Go everywhere you need to in your search for answers. The Australian Bureau of Statistics is a particularly useful source of information and provides specific services to small business.

## Bump Up Your Marketing

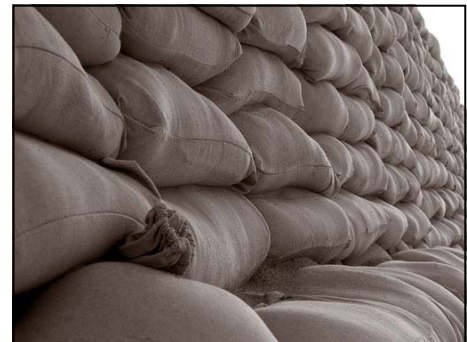
Cutting costs in slow times is one thing, but your marketing spend should increase if possible. After all, this is how you're going to comfort your existing clients with your ongoing presence, and attract new clients with your intriguing sparkle in this otherwise gloomy time.

- Create a marketing plan for the next 12 months. Think about what goals you have and how you might go about achieving them.
- Focus on your current clients, particularly the regular ones. It's possible they have fears about your stability, since you're a small fish in a big buffeted sea. Reassure them that you're solid, and still there for them whenever they need you.
- Look around your local area and see if any opportunities are right under your nose. At the same time, think bigger and look outside Australia for opportunities, if that's possible for you. Have you considered alternative markets, like China or India? The language barrier is not as great as you might imagine, and these are emerging countries that are certainly *not* suffering from any economic downturn.
- Get internet smart. If you're not making the most of this inexpensive method of marketing, now is the time. Does your website need a spit and polish? Have you looked into clever methods of increasing your Search Engine Optimisation (SEO)? What about alternative forms of e-marketing such as blogging, using professional networks like LinkedIn, and exploiting the likes of You Tube and MySpace?
- Doing some marketing that's just not working? It's time to stop. If that advertisement you paid for has generated no income, let it go. Find

## Fill Your Financial Sandbags

If a storm is coming, it's time to batten down the hatches and fill the stores.

- Do you have an emergency fund? Now's the perfect time to start one. As a guideline, work out how much you'd need to survive for a month without any income at all. That's how much needs to be in your emergency fund. Once you have that saved, forget it's there until that rainy day.
- If you already have emergency money tucked away, make sure you're getting the best value from your investment. High interest rates are a bonus to those with savings, and there are plenty of online accounts offering high interest rates that still leave your cash available for those dark days.
- If the money is still coming in and looks like it will for the next while, put some money towards your debts. Business loans, your mortgage or investment debt is still 'healthy' debt at this stage of the game, because it provides you with the possibility of income down the road, or it offers you tax deductions (or both). It's time to get rid of those bad debts, however, particularly money owed on your credit card and personal loans. Interest rates are always going to be high for this kind of debt, so get rid of it as fast as you can.
- Rethink the car. Petrol prices are going to stay high, and will probably get higher if we can judge by global shifts (the USA still pays peanuts for theirs, but most of Europe are paying the equivalent of \$2.60 per litre and our Kiwi neighbours pay about \$2 per litre). Is it time to get a smaller car? Or use one car instead of two? Even, heaven forbid, get rid of the car altogether and rely on public transport?



Certainly the tips for standard businesses and regular people are good ideas for us as well. However, being a creative professional when there's a downturn in the economy can present some interesting opportunities.

- Get creative. Your ability to make new from old or conjure good ideas from nothingness is your greatest strength. Now is the time to get those creative juices flowing and think about how your creativity can get you through this gloom time. Are you particularly creative in front of a blank piece of paper, or in the bath, or while sipping a glass of wine? Whatever your preferred method, make some creative time and see what happens. You might be surprised.
- Innovate your systems. Consider exactly how you run your business, and see if you can do it in a more innovative way. Imagine that your business administration and systems are a series of winding country roads. Is there room to build a freeway?
- Try something new. It might be counterintuitive but slow times are also the perfect time to take a risk. Make sure you have a little financial stability, and then think sideways. Is there something creative that you've always wanted to try? Is there an aspect of your ability that you set aside so you could focus on making money? Perhaps it's time to dust off old dreams or discover new talents. Financial opportunity could just as easily arise from these talents as from anything else you do.
- Reconnect. If you're not making time to catch up with peers, this is the perfect opportunity. Contact your freelance friends, join an online community of freelancers, get out of the house and meet new people. Try a new networking night or go to a conference or training day. Reconnecting with the people around you will provide you with support if things get tough, and might open up opportunities that will keep that storm from the door.

Recession or not, it's clever to be prepared for the worst and hope for the best. Either way you can't lose – if the storm arrives you'll have your sandbags filled, and if the cloud blows over you'll be stronger for the preparation. Good luck!



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