



Helping your business survive in a changing environment

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The COVID-19 pandemic has unmistakably changed the rules of business. Personal space and social distancing are now the new norm, and businesses have had to pivot to remain afloat. Services such as online ordering, delivery, and curbside pickup have become essential for a business to survive.

Business owners may be facing any number of worries, from property lease payments, payroll and deploying inventory to revenue drying up and cash flow. All this can be overwhelming, but there are supports to help you through this challenging time.

Banks are offering deferred payments and interest rate breaks to those experiencing financial hardship, among other measures, while also working with government on emergency loan and benefits programs.

Whether your business needs this support or not, there are other steps you can follow to help get through this unprecedented time of uncertainty.

1: Evaluate your business

Often, we are too busy working **in** the business to work **on** the business. Look at your business plan and ask yourself these key questions:

- Compared to last year's financial statements, have you grown, remained flat or have sales declined? Are you where you want to be?
- Are you taking a salary, do you have a net income, or are you at a net loss?
- If you're at a net loss, what is the root cause?
- Do you have an understanding of your expenses with respect to your revenue?



2: Review expenses and tweak accordingly

Right now it can be difficult to do, but it's important to lay out all your expenses, line by line, and bill by bill. Group them into three categories:

1. **Direct Expenses:** directly proportionate to your product/services. These may be also called Cost of Goods Sold (like material and direct labour). If sales go down, typically direct expenses go down, as a business owner needs to order less materials.
2. **Indirect Expenses:** indirectly proportionate to your revenue (like management and other support labour). These tend to stay the same over the short term unless adjusted.
3. **Overhead:** expenses you have to pay regardless if you sell (like rent, utilities, overhead labour). These tend to stay the same over the long run unless adjusted.

By reviewing your expenses, you'll be able to see if there's an opportunity to make adjustments and tweaks, such as changing your operating hours to reduce utilities or re-negotiating costs with vendors, suppliers and building management.

Whatever business model, operating plan, and recovery plan you come up with, be sure to discuss it with your bank and business counsels.

3: Leverage the government and your bank

It's critical to research what programs the government and banks are offering for additional support. There are many government assistance packages and programs available such as the Canada Emergency Business Account, a federal government \$25 billion loan program for Canadian small and medium-sized businesses.

Banks are also undertaking many initiatives to support business that have been impacted, such as:

- Payment deferrals based on individual small business circumstances.
- The establishment of an expanded and dedicated call centre team staffed by small business lending experts who are ready to assist small businesses.
- Increased advice and support of small business clients' immediate cash management or new lending needs.

You can find out more about how CIBC is helping its small business clients [here](#).

4: Use your financial tools

There are many financial tools at your disposal, such as higher credit limits, credit cards and loans. These should always be leveraged responsibly.

This can not only help you plan for the future, but also help you get through intermittent cash flow issues as you make changes to your business during this challenging period.

Take advantage of higher or additional credit limit if you've been using credit responsibly by making payments on time and keeping balances low.

A higher credit limit has several **advantages**, such as:

- More flexibility to make larger purchases as well as have money available for emergency situations like this.

A business credit card can help:

- Extend general cash flow.
- Leverage grace periods to increase cash flow and keep costs low, as interest often won't have to be paid for 21 or 30 days depending on the card.

If cash flow is still strained, you don't have funds on hand, and you need to keep a balance, use your Business Credit Line to pay the Business Credit Card balance off. Advantages include:

- Credit Lines have lower interest rates than a credit card (as low as Prime + 1% vs up to 19.99%).
- Depending on your Line of Credit due date, you've potentially just increased your payment an additional 30 days.

5: Talk to your bank advisor

When considering any changes to your business or finances, it's always important to talk with your bank advisor before implementing major changes. Your bank can help create a tailored plan for you and your business. We're all in this together and want to see you succeed.

