

Scenario Planning

Current at Monday 6 April 2020

The COVID-19 shutdown has been a huge shock to everyone, certainty of employment and certainty of income has disappeared over night. What is important to people at an individual level is changing as a result of people resetting their priorities based upon a level of uncertainty that many have never experienced before.

All of this will result in a change in sales revenue for every business, some will grow, some will decline, and others will shutdown. What is important is that you build your plan now so that you are planning and executing, not reacting.

The Velocite 3 Month Scenario Planning Process:

1. Short term revenue
 - a. What work needs to be completed from prior to the shutdown
 - b. What orders were received prior to the shutdown, contact your customers and confirm those orders are still valid but also confirm payment timeframes
 - c. Where are the opportunities for new work to fill the book?

How: Extract a report of sales from your accounting system for the last 12 months, sorted highest to lowest and identify for each of your customers what revenue opportunities exist.

- In Xero we suggest you use the [Income by Contact](#) report
- In MYOB we suggest you use the [Sales History by Customer](#) report

From this determine your sales revenue estimates for the next three months, you should prepare three scenarios – high, medium and low

2. Now determine the resources you need to deliver outcomes to your customers.
This is really important, the end of the shutdown does not necessarily mean that your business can afford to bring all of your employees back on day one at full hours or wages, you may need to progressively introduce your employees at the rate that work is available.
3. Now determine what costs are essential to enable you to deliver that revenue.
4. Understand your working capital
 - a. Print an aged debtors report and go through it line by line, who is able and willing to pay you promptly, who is unlikely to pay you
 - b. Print an aged creditors (payables) report and go through it line by line, what costs are essential to your business and how can you ensure that you continue to receive supplies
 - c. What stock do you have already that you can use before needing to buy any new stock
5. Based on the three scenarios:
 - a. What decisions do you need to make around profitability?
 - b. Rank these in order of priority
 - c. Which ones need to be made now, which ones can wait to see if new Government announcements change the scenarios and outcomes

If you need assistance to run profit and cashflow scenarios or to discuss the decisions you are making, apply for a Venture Taranaki voucher for FREE assistance of up to \$800.