

A CHEAT SHEET ON BEATING A RECESSION EARLY

# RESURGE

Whitepaper



# the big why & what

**1** The time of VUCA presents challenges that can be very unnerving even to the well managed enterprises and their established entrepreneurs.

**2** More often than not, the focus is on the indicators and opinions rather than actionable insights that can serve as guide-points while moving forward.

But we sat across the room wondering if and how we could help founders look at these circumstances, diagnose their impact and create their own playbook to respond to an uncertainty rather than be broiled by them.

This cheat sheet is the **Resurge Report**.





It's only when the tide goes out  
that you **discover who's been  
swimming naked.**

- Warren Buffet  
*CEO, Berkshire Hathaway*

**PRE**  
**QUATE**

**RESURGE**

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# inside the report



1

will this  
affect me



2

responding  
right



3

making  
hay



4

what you  
need

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**will this  
affect me**

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**What are the  
indicators**

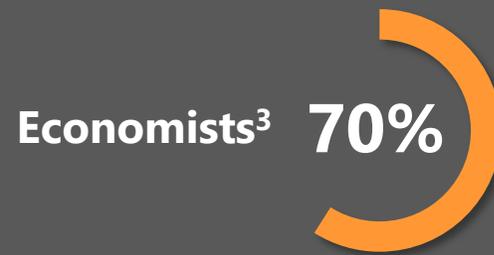
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**Will this affect  
my industry**

# What tells us that a downturn could be in the offing?

## *Leaders' sentiment*

*% that believe that a downturn is expected in 2023*

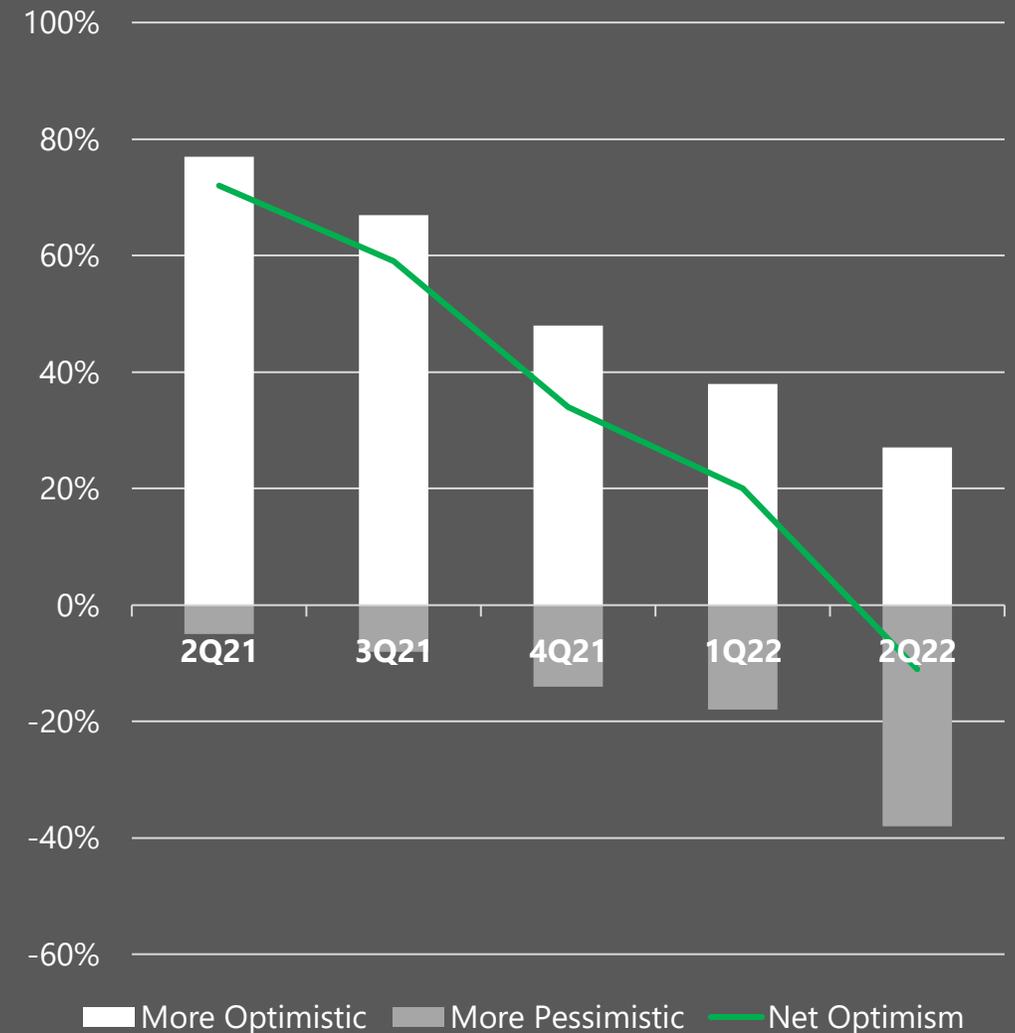


# What tells us that a downturn could be in the offing?

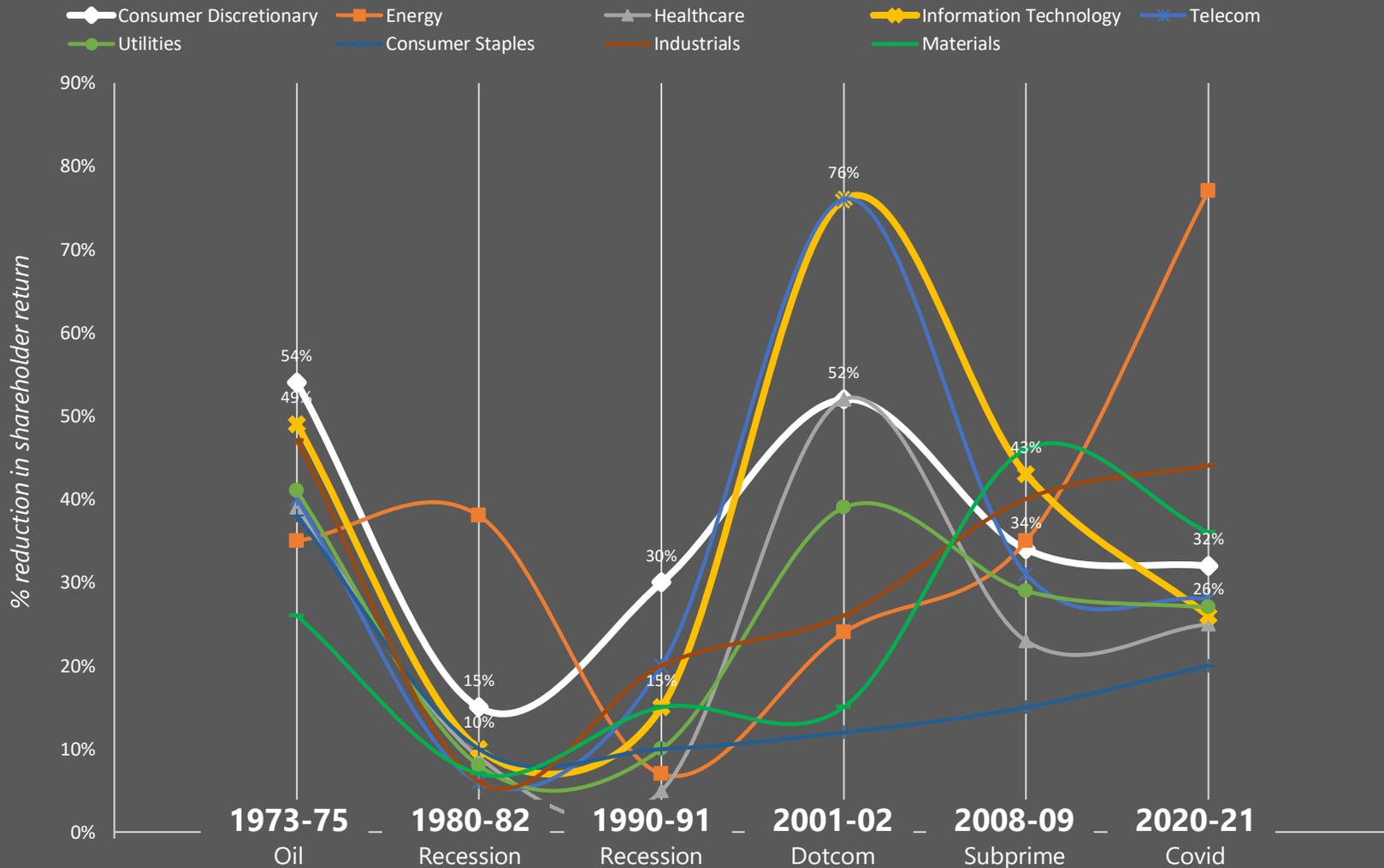
## CFOs' sentiment<sup>1</sup>

### Key takeaways

- The percentage of CFOs optimistic about their companies' prospects declined from 70% from a year ago to 27% with the Net Optimism rate at a staggering -11%.
- There are concerns about the impact of a rising interest rate on customer demand & re-investment plans especially during an inflationary circumstance.
- CFOs expect significant headwinds due to rising inflation, geopolitical situations and supply chain disruptions, rising food and energy prices, and rapid monetary policy led tightening.
- ▲ A founder needs to carefully estimate the impact and deliberate on the plans and actions to risk-proof the organization.



# Will this affect my industry?



## Key takeaways

- Consumer Staples & Healthcare are usually not affected by recessionary circumstances owing to their nature.
- Dependence on a consumer's discretionary spending is a major factor for a sector's performance during recessions.
- Industrials and Materials as a sector has been showing responsiveness to recessions as the sectors become more and more connected.
- Also, longer duration recessions start impacting all sectors equally bad as the demand slowdown trickles through the economy.
- ▲ A founder needs to carefully evaluate which sector they best identify with and then prepare for the potential impact of a downturn.

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## responding right

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**What are others  
doing**

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**What you should  
be considering**

# 2.1 Rethinking pricing

*your peer group's response*



*how you should consider responding*

1

## Focus on developing recurring revenue models

- ▲ Re-evaluate existing business relationships and make focused deep-dives to evaluate the possibilities of creating recurring revenue models
- ▲ Refine product/ service portfolio to add leaner offerings that can be easily piled onto current relationships

2

## Develop scenario analysis & response capabilities

- ▲ Develop a master financial model that is capable of working with potential scenarios and events
- ▲ Understand the impact (sensitivity) of variables to the outcome to prioritize tracking & reporting
- ▲ Create response scenarios so it can be put in motion very quickly

# 2.1 Rethinking pricing

*your peer group's response*



*how you should consider responding*

## 1 Focus on developing recurring revenue models

- + 23% said they are open to try and use new subscription models<sup>2</sup>
- + 44% continue due to sheer convenience or personal experience<sup>2</sup>
- 26% cancel when a perception of 'value for money' fades<sup>2</sup>

## 2 Develop scenario analysis & response capabilities

- + Can expand your thinking horizon
- + Can drastically reduce response time
- + Reduces any indecision from complexity
- Can give false sense of security if it isn't thorough
- Real-life is multi-variate and any planning should acknowledge that

# 2.1 Rethinking pricing

*what you may need*

**Prequate**



cube

**Strategic Finance Offices**

**1**

**Focus on developing recurring revenue models**

- Pricing study
- New product/ service pricing models

✓

✓

**2**

**Develop scenario analysis & response capabilities**

- Operating model development
- Planning & budgeting exercises
- Advanced financial modelling with scenario analysis

✓

✓

✓

## 2.2 Recasting costs

how you should consider *responding*

- ▲ Put in 'rationalisation' as a requirement for all resource decisions like (1) staffing requirements, (2) capex, (3) pay revisions, unscheduled over-times and allowances etc.
- ▲ Create a simple spreadsheet where persons requesting allocations need to provide a CBA

**Institute cost-benefit analysis thinking across functions**

1

- ▲ Deep-dive into allocations that are not directly attributable to outcomes (say, branding, BTL marketing, geo expansion plans etc.)
- ▲ Evaluate the cost of postponing these activities by 2 quarters for the (1) ability to be crashed later, (2) period of yield and (3) direct impact on goalposts

**Reallocate enterprise resources to shorter yield projects**

2

your peer group's *response*

Consider **off-shoring, near-shoring**<sup>1</sup>

60%

Consider **automation to offset labor costs**<sup>2</sup>

43%

# 2.2 Recasting costs

*what you may need*

**Prerequisite**

- Creation of CBA worksheets for each division ✓
- Performance-based MIS development ✓

**Institute cost-benefit analysis thinking across functions**

**1**

- Planning & budgeting exercise ✓
- Dashboarding activities ✓
- End-to-end Cost optimization exercises ✓

**Reallocate enterprise resources to shorter yield projects**

**2**



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## 2.3 Replotting customers

*your peer group's response*



*how you should consider responding*

1

### Modifying product/ service profile and messaging

- ▲ Re-evaluate customer needs and expectations and understand the key drivers and inhibitions for buying along with changes in preferences
- ▲ Create new packaging and messaging for portfolio to be able to appeal to their new needs in a more direct manner

2

### Unlock all up-sell/ cross-sell opportunities

- ▲ Study all relationships and analyse historic data to identify up-sell & cross-sell opportunities based on products consumed in the past
- ▲ Create categorized lists of customer segments to offer these products to with a loyalty benefit that is at a loaded cost of new customer acquisition

<sup>1</sup> Building resilience for the next economic downturn 2019, Deloitte [ [View](#) ]

## 2.3 Replotting customers

*your peer group's response*



*how you should consider responding*

1

### Modifying product/ service profile and messaging

- + 18% switched to lower priced brands during a recession<sup>4</sup>
- + 60% were interested in a core set of features than the latest technology<sup>4</sup>
- Changing the product/ feature promise requires careful deliberation as it could alienate existing users

2

### Unlock all up-sell/ cross-sell opportunities

- + ~10% of new revenue for technology product companies<sup>2</sup>
- + ~10 - 30% of total revenue for Ecom companies<sup>3</sup> come from cross-sell & up-sell
- Probability of dissatisfaction with new offering could jeopardize existing mainstay

## 2.3 Replotting customers

*what you may need*

*Prequate*



cube

**Strategic Finance  
Offices**

**1**

**Modifying product/  
service profile and  
messaging**

- New Product planning exercises
- Pricing packaging

✓

✓

**2**

**Unlock all  
up-sell/ cross-sell  
opportunities**

- Cross-sell/ up-sell opportunity identification

✓

## 2.4 Realigning investments

how you should consider *responding*

- ▲ Evaluate projects on a litmus test of whether they are margin improving or not. Next, focus management attention and resources on the investments that pass.
- ▲ Prioritize resources on investments that can come into fruition faster and do not entail additional costs for activation.

**Focus on margin improving investments solely**

1

- ▲ Re-evaluate capex decisions and put in flexibility to be able to stagger or slow down without any additional costs.
- ▲ Reorganize long-term commitments to be able to convert them into lower cash-flow draw decisions using leverage creatively.

**Increase flexibility on long-term investment decisions**

2

your peer group's *response*

Re-evaluate **investment decisions**<sup>1</sup>

36%

Reduce **long-term commitments**<sup>2</sup>

25%

# 2.4 Realigning investments

*what you may need*

*Prerequisite*

- Investment analysis
- Capital budgeting exercises

✓  
✓

**Focus on margin improving investments solely**

1

- Planning & budgeting exercise
- Capital budgeting exercises
- Fund-flow planning

✓  
✓  
✓

**Increase flexibility on long-term investment decisions**

2



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# 2.5 Rejigging with technology

*your peer group's response*



Efficiency related technology projects<sup>2</sup>



Staff interaction and culture<sup>2</sup>



Connected products & services<sup>2</sup>



*how you should consider responding*

**1**

**Evaluate technology deployment for automation**

- ▲ Evaluate the possibility of deploying technology solutions for automation in an accelerated manner that can reduce operating costs going forward
- ▲ Evaluate Industry 4.0 practices that can assist in getting ready for using data better in all production processes

**2**

**Evaluate leasing technology to gain ground faster**

- ▲ Scan the environment for potential solutions that are available on lease or on subscription basis to reduce the possibility of tech debt from hurried deployment
- ▲ Develop transition environments that allow for better migration of data and process flows when considering in-house systems

# 2.5 Rejigging with technology

*what you may need*

*Prerequisite*



**Business Roadmap Advisory**

**1**

**Evaluate technology deployment for automation**

- Capital budgeting exercises
- Project planning

✓  
✓



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**2**

**Evaluate leasing technology to gain ground faster**

- Mystery shopping
- Vendor evaluation frameworks

✓  
✓

## 2.6 Reimagining supply chains

how you should consider *responding*

- ▲ Develop margins for flexibility in supply chains to provide for quicker bounce-back in case of surges which could mean (1) identifying alternate materials, (2) identifying alternate vendors, (3) refreshed SLAs, (4) extended credit scenarios and/ or (5) maintaining contingencies on vendor's balance sheet

**Add more  
flex into the supply  
chains**

1

- ▲ Actively work with partners to be able to assist them to upscale their offerings and turnaround times
- ▲ Institute vendor monitoring and evaluation policies that allow for higher level of visibility downstream
- ▲ Optimize payment terms and lead times with better transparency

**Convert suppliers  
into active  
partners**

2

your peer group's *response*

Improving  
**supply chain  
resilience**<sup>1</sup>

51%

Actively  
**optimizing vendor  
costs & alternatives**<sup>1</sup>

37%

## 2.6 Reimagining supply chains

how you should consider *responding*

- + 7% increase in ensuring on-time deliveries<sup>3</sup>
- + 20-60% gains from evaluating low-cost alternatives<sup>3</sup>
- Evaluating vendors in a time of uncertainty can be a fairly challenging task as they may also be affected very differently from the economic climate

**Add more  
flex into the supply  
chains**

1

- + 23% decrease in holding period from planned agile approach<sup>3</sup>
- + 70% better forecasting accuracy with higher transparency<sup>3</sup>
- Existing vendor relationships can become harder to manage with new demands imposed on them

**Convert suppliers  
into active  
partners**

2

your peer group's *response*

Focused on  
**increasing agility to  
turbulence**<sup>1</sup>

53%

Actively **evaluating  
supply chain re-  
adjustments**<sup>2</sup>

37%

## 2.6 Reimagining supply chains

*what you may need*

*Prerequisite*

- Order quantity optimizations
- Inventory analysis



**Add more  
flex into the supply  
chains**

**1**

- Vendor evaluation
- Empanelment definition



**Convert suppliers  
into active  
partners**

**2**



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## 2.7 Reviewing opportunities

*your peer group's response*



*how you should consider responding*

1

### Actively pursue growth with combinations

- ▲ Active acquirer's shareholder return was on average 16.9% vs. 4.9% of other companies over a 5Y period<sup>3</sup>
- ▲ Synergistic gains could become that added edge required to compete in a crowded market
- ▲ Easy way to be able to deliver cross-sell opportunities in a buyers market

2

### Double-down on core businesses

- ▲ 63% of sellers outperformed the market post a divestiture<sup>3</sup>
- ▲ Allows for better allocation of resources over the short term
- ▲ Salvages and redeploys management time to core businesses

# 2.7 Reviewing opportunities

*what you may need*

*Prequate*



icosahedron

**M&A  
Advisory**

**1**

**Actively pursue growth with combinations**

- Valuations
- Due diligences
- Deal negotiations & structuring
- Post transaction integration

✓  
✓  
✓  
✓

**2**

**Double-down on core businesses**

- Scenario analysis & simulations
- Voluntary diligence
- Valuations
- Pre-deal preparation

✓  
✓  
✓  
✓

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**Why this is not  
bad news**

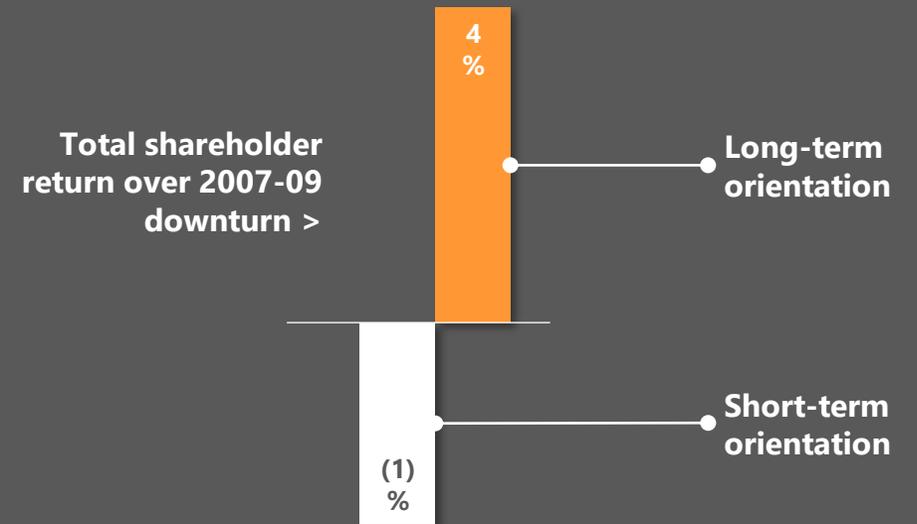
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**What you can learn  
from the greats**

# Think long-term

Organizations that<sup>1</sup>

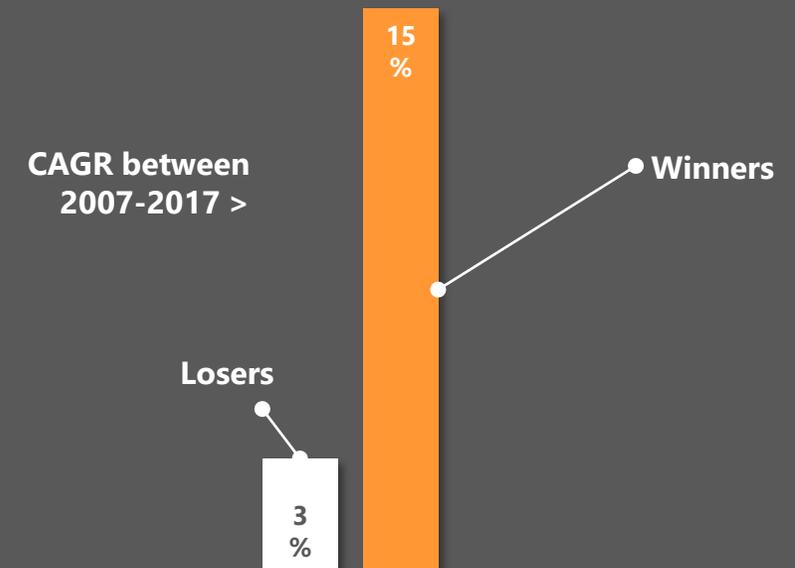
- ▶ proactively planned and took early action;
  - ▶ developed scenarios and became flexible; and
  - ▶ took a long-term competitiveness as a priority
- were able to generate significantly larger total shareholder return over the period of the downturn.



# Plan, be mean & lean

Organizations that<sup>2</sup>

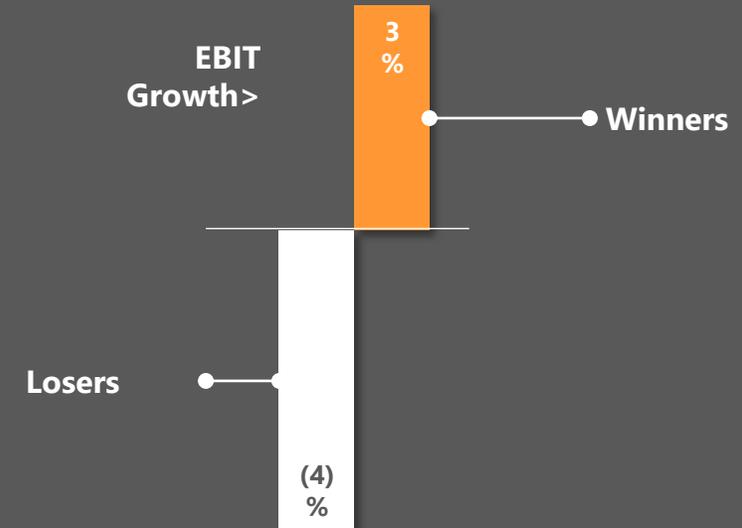
- ▶ restructured without dropping muscle;
  - ▶ tightly governed cash;
  - ▶ took on an offensive stance; and
  - ▶ pursued M&As proactively
- were able to maintain 5x the growth rate achieved by their peers over a 10-year period.



# Master profitability

Organizations that won<sup>1</sup>

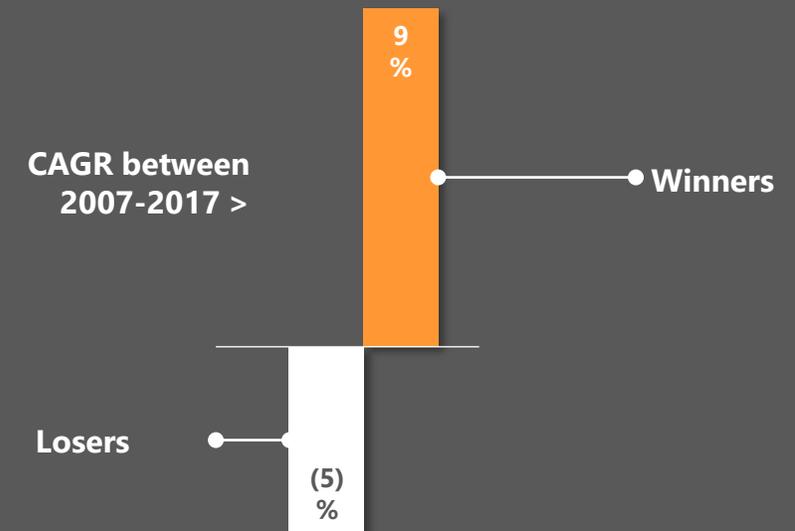
- ▶ showed greater agility overall to work within the new paradigm;
- ▶ cutting down on non-customer and non-value adding activities; and
- ▶ increasing transparency across the board and the teams.



# Act quick & specifically

Organizations that won<sup>2</sup>

- ▶ realized novelty and planned ahead;
- ▶ spent a lot of time in scenarios and responses;
- ▶ took action proactively;
- ▶ chose specific targeted functions to focus optimizations on; and
- ▶ adopted a long-term competitive view.



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how we  
can help

# Now, where can **Prequate** help?

## OPERATIONAL PLAN BUILDOUTS

Get PE grade highly detailed and versatile operating plans to simulate decision paths

## RUNWAY EXTENSION PLANNING

Get expert assistance to develop scenario-led runway extensions

## COST OPTIMIZING DRIVES

Deploy a program managed approach to enterprise-wide cost optimizations

## REPORTING REVIEWS & AUSTERITY

Get reporting reviews on background metrics & bring in active prudential oversight

## SCENARIO PLANNING & SIMULATIONS

Deploy a data-backed edge to decision choices built over a high degree of analysis

## PASSIVE DILIGENCE & COMPLIANCE

Deploy a silent diligence solution to ensure control quality & compliance health



# discuss?

Would you like to have a chat with our team to get specific advice on how it is likely to affect your industry?

*Please pick your industry and leave us some information so we can get in touch with you >*

Technology

Retail

FMCG

Manufacturing

Real Estate

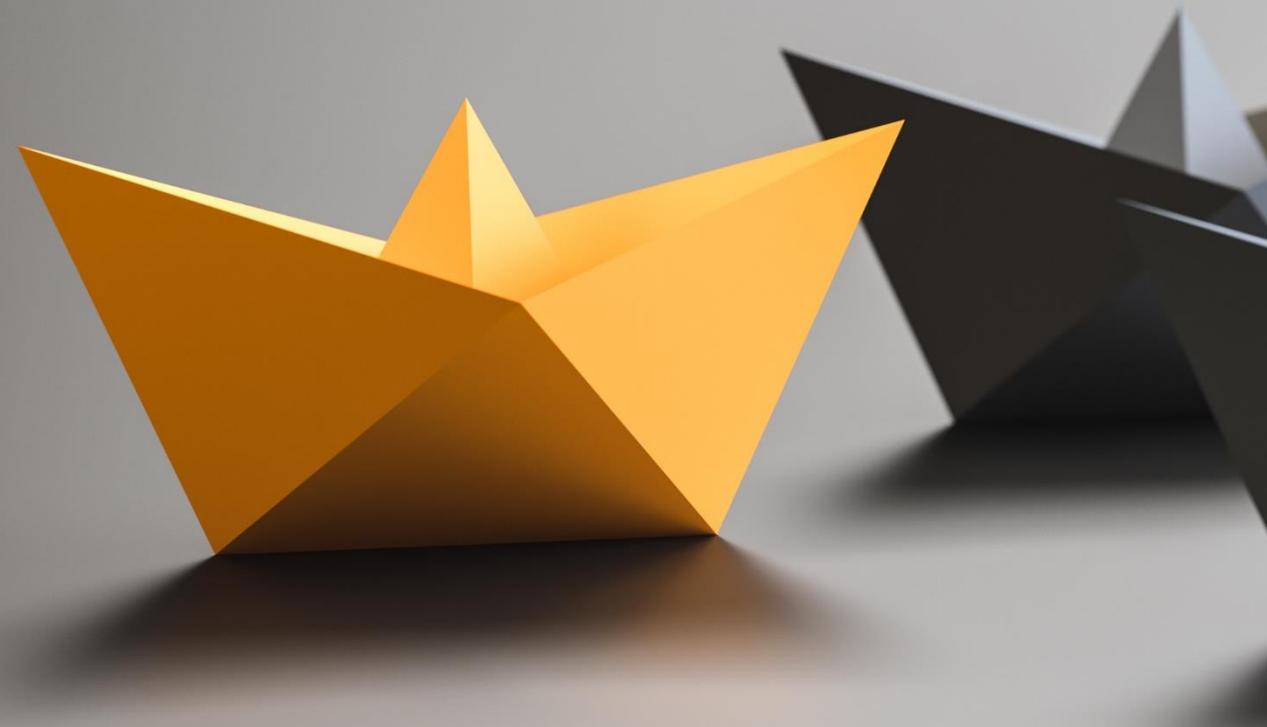


# how & why

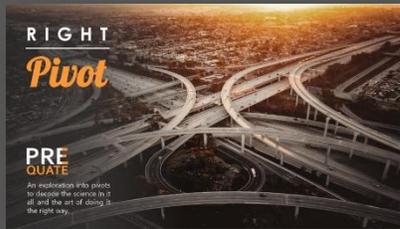
At Prequate Advisory, we have always believed very strongly that times of volatility and uncertainty are usually when the best amongst us arise. While the world is embroiled in reacting to changing circumstances, a few brave ones anticipate it and take it head-on. They plan relentlessly. They forecast scenarios. They instigate change. They infuse urgency. They drive forward irrespective of the circumstances around them. **This whitepaper is our way to be there for those entrepreneurs and the ones who we believe could easily get there.**

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# Some of our other thought leadership, that could interest you



## Right on Pivot

An exploration into pivots to decode the science & art of doing it the right way.



## DNA of a CFO

A study about the Startup Tech CFO - personality styles, career paths & the journeys.



## Advisory Board

A DIY styled guide on setting up a Board of Advisors for your organization.



## Emerging Funding

A workpaper on the types of capital available to entrepreneurs.



## MentorX

A playbook on the makings of a mentor, their real value and how to engage with one



## Stock Comps

A DIY styled guide on setting up a Board of Advisors for your organization.



## Pricing your SaaS

A DIY styled guide on pricing your SaaS product using a value-based pricing approach.



## Valuation Mindset

A whitepaper on how you can use Valuation to become your most useful management tool.



## About Prequate

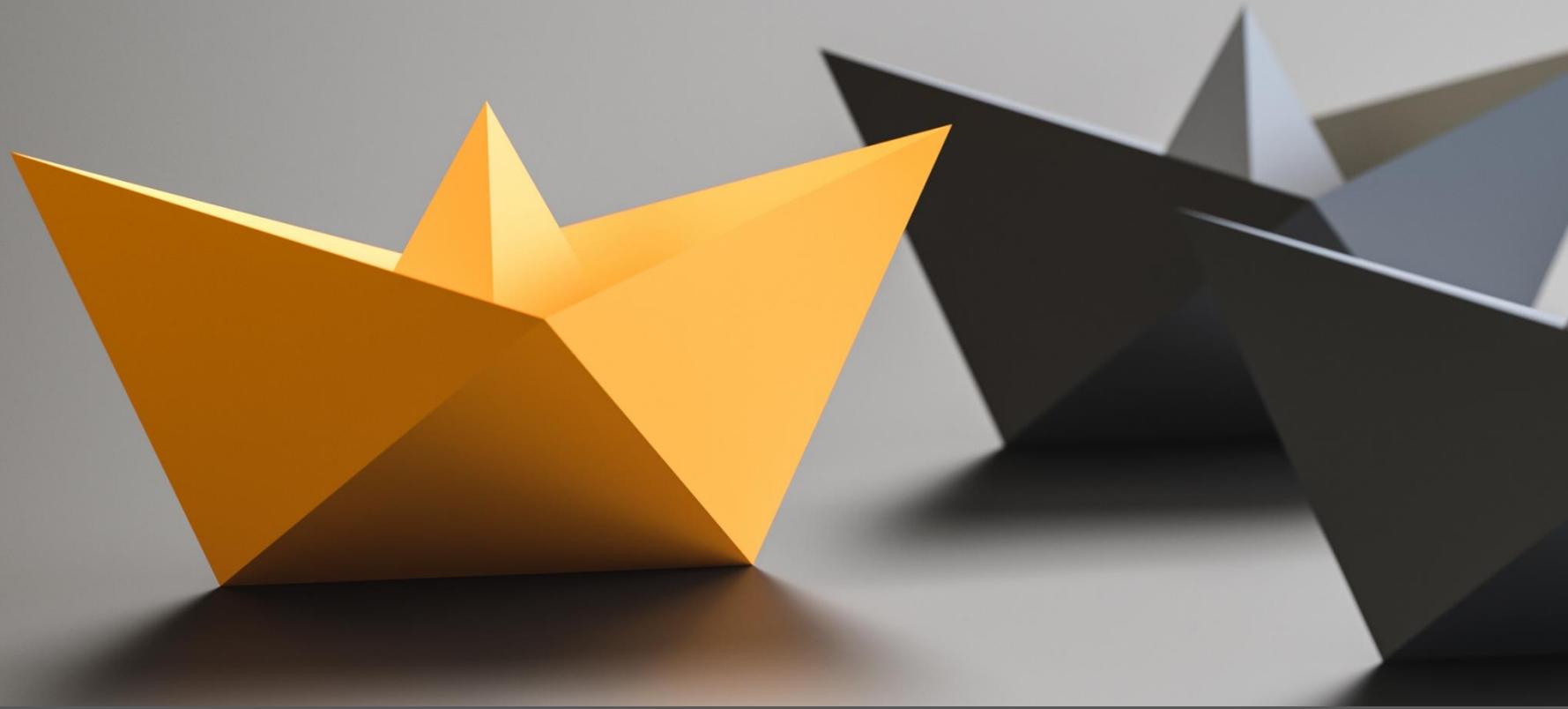
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25 Most Valuable  
Consulting Brands  
*The CEO Magazine*



Authors: Indian  
Education Report  
*TEGS*



Feat: Breakthrough  
Approach to Consulting  
*Afternoon Dispatch*



50 Fastest Growing  
Consulting Companies  
*Silicon India*



Feat: Pragmatic  
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*SME World*

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see what else we do

