



Business Insights

Information and analysis from TD Commercial Banking

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Get through the credit crunch in good shape

The global credit crunch has resulted in a tougher business environment. Lending costs for financial institutions have been driven up, and supplier and customer demand have been weakened.

However, effective management can help your company make it through the credit crunch in good shape. Here are some strategies that can help your business survive and prosper.

CONSERVE CASH AND MAINTAIN CASH FLOW.

With ample cash on your balance sheet, your company will have more business flexibility. Closely monitor cash moving in and out of the business. Have procedures in place to keep receivables to a minimum and make sure you get paid on time.

REASSESS BORROWING NEEDS. Focus on borrowing that can produce immediate, positive results. If your company is nervous about the future, it may be possible to put plans that require large amounts of capital on hold. Review capital spending, which can take cash out of a business when it is most needed.

On the other hand, for some companies this might be the ideal time to borrow. Business expansion opportunities are increasingly available as competitors falter and suffer liquidity problems. In such cases, using borrowed capital to acquire a competitor might make good sense.

CONTROL COSTS. Keep costs down to maintain profitability and cash. Reducing inventories is a good way to control costs in the credit crunch. Failing to control costs can result in potential liquidity



By tightening your business belt and looking for solid opportunities, you and your company can not only survive the credit crunch, but prosper when the economy recovers.

problems and the squeezing of profit margins.

KNOW YOUR CUSTOMERS. Make sure customers are in good financial condition and that your company is not running a financial risk by doing business with them. The last thing a business needs during the credit crunch is non-paying customers.

NEGOTIATE WITH SUPPLIERS. They want to do business with companies that are solid credit risks, and may be willing to offer better terms to do so. Plus, in today's slower economy, suppliers may be

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Our goal is to help you achieve yours

Get through the credit crunch in good shape

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hungry for your business. Make every effort to pay on time, so your supply chain stays healthy. And be sure to evaluate your suppliers' financial health. (Please see the article on Page 5.)

MAINTAIN RELATIONSHIPS WITH KEY BANK PERSONNEL. Keep your TD Commercial Banking Relationship Manager up to date on company financials, and be transparent. This will enable us to respond more quickly and effectively to your needs.

To prosper even during lean times, strengthen your business's cash flow and key relationships.

How you manage during the credit crunch will help dictate where your business can go when credit conditions improve and the economy strengthens. A smart, effective strategy can keep your company strong.

To find out more about how TD Commercial Banking can help, contact your TD Commercial Banking Relationship Manager. Your Relationship Manager will work with you to help you make sure your business has the financial resources it needs to get through the credit crunch. ●

Banking: Canada vs. the rest of the world

Canadian businesses and retail customers can take comfort in the fact that our banking system has so far been able to avoid many of the more serious repercussions of the global credit crunch.

In fact, the World Economic Forum declared last October that Canada has the world's soundest banking system, based on a survey of global executives.¹ Next in line were Sweden, Luxembourg and Australia. The U.S. came in at number 40. Canada's investor protection ranked fifth, and financial market sophistication, sixth.

Here are some other facts that point to the strength of Canadian banks:

HEALTHY CAPITAL POSITIONS. Standard & Poor's recently concluded that Canada's top banks have healthy capital positions and are well-positioned to weather an economic downturn. The agency said they have healthier, more conservative balance sheets than U.S. banks.

MORE RISK-AVERSE. Canadian banks typically do not make the high-risk loans that troubled U.S. banks did, particularly to less creditworthy mortgage customers.

STRICTER REGULATION. Regulation governing Canadian banks is stricter and more streamlined. Canadian regulators specify higher capital requirements than those for banks in many other countries.



Canada has the soundest banking system in the world, according to the World Economic Forum.

LOWER LEVERAGE. Canadian banks have lower leverage than many international banks, relying less on borrowed capital.

INVESTMENT BANKS ARE PART OF GROUPS. In Canada, an investment bank is one arm of a large financial institution. In the U.S., investment banks are separate and do not have the support of the depositor base as they do in Canada.

The benefits of an online presence for your business

These days, just about everybody is online. Your customers and potential customers expect to find you there too. So if your company's Internet presence is lacking, you could be losing business.

A good website can work wonders for business. It is a key channel of communication with customers and often a direct route to sales.

An effective Internet presence

Here is what you need to know about an effective Internet presence:

EVEN A BASIC WEBSITE CAN HELP.

A simple website can serve as a digital showcase of products and services, and a way for customers to obtain information. It can tell people about your company, how to contact you and where to find you.

CUSTOMERS CAN POST QUESTIONS.

Existing and potential customers can contact your company with questions and feedback. And replying to their questions and feedback online can help reduce telephone-related costs and the expenses of printing and distributing literature.

YOU CAN SELL ONLINE. A website that allows online purchases enables your business to be open 24 hours a day, seven days a week. If you deal with customers around the world, your site becomes a global store. It may turn out to be the easiest way for customers to make a purchase, at the same time reducing your company's processing costs.

KNOW CUSTOMERS BETTER. Market research can be conducted online. Forums can promote discussions of products and services. A website can even offer existing customers a quick route to assistance and service.

ENHANCE BRANDING, MARKETING AND PR. Through your website, existing

and potential customers can better understand your company. You can detail your vision and mission. You can post company news or public relations information about community involvement, charitable support and environmental initiatives. Creativity can make your website a great advertising tool.

Content and functionality

For an effective presence, your website must be professional, well designed, and easy to use, and provide visitors with what they need.

EASY NAVIGATION. A company website must work smoothly, and not frustrate users. It should be polished and easy to navigate. Internet surfers often visit many sites each week, and have little patience for a poorly designed web presence. If they are discouraged, they may never return.

UP-TO-DATE INFORMATION.

A website must always be up to date. Outdated information or product descriptions practically guarantee that visitors will not return. Keep your site current and add fresh content regularly.

ATTRACTIVE DESIGN. Once you know what your website needs, tap the talents of those who can get the job done. Often, that involves hiring consulting companies that specialize in website design.

SEARCH ENGINE OPTIMIZATION. Another key element in website success is search engine optimization (SEO). This is a strategy to improve your site's rankings



A well-designed, user-friendly website will attract new customers, and keep existing ones coming back.

in popular Internet search engines. The goal is to make the site appear at the top, or at least near the top, of search results when Internet users enter keywords related to your business or products.

Most businesses focus on "organic" SEO. This means your site will show up as the "natural" result of a search, rather than as a paid advertisement or "sponsored link" alongside genuine search results.

Organic SEO involves complex techniques such as editing content, embedding keywords, using proper coding and optimizing the structure of the site.

Measure website effectiveness

Once your company website is out there for the digital world to see, be sure to regularly gauge its effectiveness. Measure traffic, monitor search engines regularly to see how you rank and determine how your site stacks up against competitors' sites.

And, finally, make sure your website remains an integral part of your business strategy. After all, it is the road to the future. ●

Increase employee retention with value-added group benefit plans

Group benefits are critical in attracting and retaining good employees. Reviewing the latest trends in employee benefits will help you assess whether you are offering the types of plans that will satisfy your workforce. It is also critical to know which benefits are most worthwhile in relation to their cost to your business.

Advantages of benefits

Employee group benefits can be effective, even if they are costly. Attracting and keeping valuable employees can reduce recruiting and training costs.

There are other advantages to offering group benefits. For example, benefit plans that promote employee wellness can decrease absenteeism and improve productivity — often paying their own way. Some studies show that for every dollar spent on workplace health programs, a company reaps a saving of \$1.50 to \$3.²

The universe of benefits is large, and ranges from the traditional to the new and novel. But Canada's most popular benefits are still among the most conventional.

Popular benefits

A recent survey by the Canadian Payroll Association³ shows that employer-paid group term life insurance premiums are the number-one benefit offered by employers. Of companies surveyed, 61% offered this type of plan. Other popular benefits are automobile and motor vehicle allowances, tuition fees, medical expenses and Retirement Savings Plan (RSP) premiums.

Benefit trends

One of the key trends is the move to flexible group benefits. These allow each employee to choose an appropriate level of coverage in his or her life insurance, medical and other coverage. This can benefit the employee, who may pay all or part of the premium. Because of their flexibility, these plans may be more cost-effective.

With the recent turbulent state of financial markets and the weaker economy, financial-related benefits are also likely to remain a priority for employees. Group RSPs, for example, can be a

relatively inexpensive way to set up a plan to help employees build their retirement nest egg.

There are other possibilities when it comes to financial-oriented group plans, such as the growing selection of group Registered Education Savings Plans and Deferred Profit Sharing Plans.

In the end, your company's choice of benefits might come down to the type of workers you want to attract and keep, the typical age of your employees and even your company's field of business.

Call your Relationship Manager to find out how our group benefit options can help your business. ●

Group benefit plans can help you attract — and keep — the best and brightest staff members.

Some unusual benefits

Not every employee perk has to be a typical group benefit. Some companies offer other innovative benefits to attract and keep employees. Your company can do the same. Here are a few examples.

▶ VALET PARKING AND GROCERY DELIVERY

One information technology company offers perks such as valet parking and grocery delivery.

▶ INCREASED VACATION DAYS

A large Canadian company offers employees the opportunity to increase vacation days by transferring unused credits from its health benefits plan.

▶ CONTRIBUTIONS TO HYBRID CAR PURCHASES

A major apparel company offers \$3,000 toward purchases of hybrid cars to employees with at least two years' service.

▶ CASH ASSISTANCE FOR ADOPTIVE PARENTS

A number of Canadian companies offer cash assistance, up to several thousand dollars, to parents who adopt a child.

▶ FREE LUNCH AND DINNER

A number of companies offer employees free lunch and dinner, prepared by gourmet chefs. And a large Internet company allows employees who become new parents to expense up to \$500 for take-out meals during the first three months at home with their new child.

▶ TRANSIT SUBSIDIES AND SECURE BICYCLE PARKING

Some Canadian companies provide transit subsidies, secure parking for bicycles and shower facilities for those who pedal to work.

▶ COMPASSIONATE LEAVE TOP-UPS

A number of companies offer compassionate leave top-ups to bring salaries close to full pay for a number of weeks while an employee is away from work caring for an ill spouse or family member.

What to consider when choosing new suppliers

Price is only one of many factors to consider when selecting a supplier.

In a time of financial, credit and economic challenges, a strong and healthy supply chain can protect and strengthen your business.

By carefully screening new suppliers you can reduce the risk of business disruptions and potential damage to your reputation if they are unable to meet commitments. Making the right supplier choices can even improve cash flow.

Evaluate suppliers before doing business

The key is to carefully evaluate suppliers — including vendors, service providers and outsourcers — before doing business with them. It's important to know that suppliers are on a solid financial foundation and capable of doing the job you need done. Assess their financial health just as you would with any business partner.

If a potential supplier is a publicly traded

company, for example, examine readily available financial statements. Are the trends revealed in those statements positive or negative — including revenues, profits and cash flow? When dealing with private enterprises, insist on financial disclosure. A credit check can also provide clues to financial health.

Look for signs of problems. Have quality standards dropped? Are there delivery issues? Is a potential supplier demanding quicker payment or prepayment? Often the signs of trouble aren't overt. For example, laying off sales staff could be an indicator of financial difficulty. Tap industry insiders and associations for news regarding potential suppliers.

Ensure suppliers meet your needs

Always be sure potential suppliers can meet your company's needs. Determine a supplier's capacity and flexibility. A supplier shouldn't be chosen on price alone. While money is important, so are factors such as quality, reliability, delivery time and service.

Conduct risk analysis

What are the risks to your company if a supplier suddenly pulls the plug or an outsourcer goes out of business? Losing a key supplier can lead to serious business disruptions.

Always have a backup plan. One way to mitigate risk is to use more than one supplier for key materials or services. Also, recognize the considerable difference between a strategic supplier on which your business relies for essential goods and services — for example, raw materials or business-critical solutions — and non-strategic suppliers that supply lower-value items. Devote more time to managing relationships with key suppliers.

Negotiate in your favour

In today's business climate, a supplier in a solid financial position may be willing to accommodate beneficial payment terms to get and keep your business. This can help your business conserve cash and improve cash flow. ●

Supplier checklist

checklist. This will help narrow your list of potential suppliers. Here are some items that should be on your list.

- ✓ Can a potential supplier produce details showing it is financially healthy?
- ✓ How long has it been in business?
- ✓ How much of its capacity is utilized? Is it able to manage your company's needs with current capacity, and scale up if your needs increase?
- ✓ Does it have experience in your business sector? What about experience in managing similar work?
- ✓ Does it have a reputation for reliable delivery?
- ✓ Are there any signs of problems, such as changes in company financials, downsizing, departure of key personnel, lost contracts, more demanding payment terms, or customers that aren't quoted as references?
- ✓ Are you aware of others who have used the supplier, with good results?
- ✓ Is the quoted price reasonable in view of the quality, reliability and services offered?
- ✓ Is the company on approved supplier lists issued by trade associations or governments?

Forecasting in uncertain times

BY BEATA CARANCI, DIRECTOR OF ECONOMIC FORECASTING, TD BANK FINANCIAL GROUP⁴

The global financial system has recently suffered a severe and virtually unprecedented blow. Over the next 12 months, four factors need to fall into place to provide the foundation for an economic recovery in 2010:

1. Home prices must hit bottom.
2. The cost of funds to financial institutions must fall.
3. The worst in corporate failures will need to be in the rearview mirror.
4. The process of recapitalizing the financial system must be well under way.

Even under these assumptions, we don't expect a return to the status quo. While the financial constraints on the economy will gradually abate, financing costs will probably remain higher than the low levels that prevailed earlier in the decade. In addition, the improved balance sheets of financial firms will mean credit will be tighter.

Go big or go home

After a lengthy period of financial difficulty, there's always the risk that credit availability will dry up, with consumers and businesses paying the ultimate price. So far, the Federal Reserve and the U.S. government have taken aggressive action to mitigate that risk. However, financial and fiscal stimulus measures aren't a magic wand that will make the problems



Once credit conditions begin to improve, markets should turn their attention back to economic fundamentals.

go away instantly. The U.S. economy is still on course for the recession that began in 2008 to spill into 2009, before a modest recovery can take hold in 2010.

We're in this together

The U.S., by far Canada's largest trading partner, accounts for three-quarters of all Canadian trade. Combine that relationship with the slump in commodity prices and it is clear that the Canadian economy will continue to be rocked by association.

As well, domestic headwinds are blowing: Canadian real estate prices are coming off the boil, and the painful adjustments in our manufacturing sector are not yet completed. All of this suggests that the Canadian economy will also be in a recession

in late 2008 and early 2009, before a meaningful recovery materializes in 2010.

In response, the Bank of Canada is likely to keep interest rates low throughout 2009. However, once a sustained recovery becomes apparent, it will be quick to raise rates in 2010 from historic lows. On the dollar front, as long as financial markets are in "crisis mode," the Canadian dollar will remain a slave to global developments, which could result in further near-term softness. But, once credit conditions begin to improve, markets should turn their attention back toward economic fundamentals, which would be positive for the Canadian dollar. Canada came into this crisis on a much more solid footing than the U.S., and should be able to pull out much faster. ●

- UNDERSTANDING - EXPERTISE - SOLUTIONS - COMMITMENT -

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The information in this newsletter is current as at December 15, 2008.

¹ The Global Competitiveness Report 2008-2009, World Economic Forum

² "First-Class Benefits," by Robert J. McKay, *Benefits Canada* magazine, Dec. 2007

³ Employment Benefits Survey, Canadian Payroll Association, Sept. 2008

⁴ TD Bank Financial Group means The Toronto-Dominion Bank and its related companies that provide deposit, investment, loan, securities, trust and other products and services.

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