**The Zombie Business - Real or Fake?**

**What is a “zombie business” and could it happen to you?**

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Right now (pandemic jokes aside, please) there are so many businesses struggling to stay afloat. With those businesses not managing their cash flow they are basically considered “dead businesses walking” because they are unaware that their time is up. It may be months before their credit runs out and they finally go under… bringing down many healthy businesses in the process.

It’s pretty easy to envision how this cycle can start to create what will soon look like a “Zombie Business Apocalypse”.

But could this happen to your business? Here’s how to prevent your company from becoming a zombie business.

**First, let’s look at what exactly is a zombie business.**



These are businesses earning *just enough* to stay afloat but have such severe debt and are unable to pay it off because things are not improving at a fast enough rate. Their debt is approaching and while they may be able to scrape by paying wages, rent, interest, etc. there is no cash left to pay their debts.

Many companies are on the brink of becoming zombie businesses and are one disruptive event away from crossing that line of no return into Zombieland. The pandemic shutdowns, for example, will push a lot of businesses like restaurants, events companies, and those in the travel/tourism industry, beyond the zombie line.

They might earn just enough money to survive and service their debt but in the short to medium term, they won’t be able to profit enough to make up for the losses.

**Could this happen to my business?**



In America, zombie businesses have racked up [1.7 TRILLION](https://www.bloomberg.com/news/articles/2020-11-17/america-s-zombie-companies-have-racked-up-1-4-trillion-of-debt) in debt so far. And while it is difficult to estimate exactly how many businesses this equates to; we know that the outlook is not promising for many companies.

But it’s not just the zombie companies that will be impacted by this debt… zombie companies often bring down healthy (or healthier) companies when they finally lose steam, as they will never repay their debts.

This massive blow to the economy will also shift how Americans are spending their money so it’s possible that even after a vaccine, things will never return to “normal” after so much damage has been done.

**Are zombie businesses doomed?**



This outlook may seem bleak but not all zombie businesses are doomed. It’s thought that once there is a COVID-19 vaccine readily available, many businesses will simply bounce back to what they were doing before. So, for them, it’s a matter of holding on as long as possible and not taking on too much debt.

Of course, if you’re not earning enough to pay even your interest payments, it’s only a matter of time before your zombie succumbs to its debt.

**How can I prevent my business from becoming a zombie?**



While there’s no surefire way to avoid debt and avoid the impacts COVID-19 has had on the world, there are some ways to be proactive against the zombie business apocalypse:

1. If you can, avoid taking on too much debt
2. If you do take credit and debt, pay it on time to avoid interest
3. Shorten your sales cycle, contact accounts early for renewal, and keep your credit cycles short
4. Have a clear understanding of your businesses position and cash runway
5. Focus on ways to generate cash - change your business model, if necessary
6. Start selling online or through other channels
7. Add a “side hustle” or income-generating project to your business
8. Keep low inventory and adjust spending accordingly

All of these strategies are easier said than done. It’s very easy for us to tell you to “make more money” but the fact of the matter is, sometimes it’s just not there. The biggest note here is to keep your cash on hand high while avoiding lending on long terms, as other zombie businesses may die and take down your company with them.

Keep a keen eye on your financial statements and use cash management software to snapshot your business’s health. This can change daily, and you should be monitoring it just as frequently.

**Conclusion**

If you’re not sure whether your business is a zombie business (or whether you’re currently lending to one), it’s worth your time to look into your business’s finances and start preparing some proactive measures from the list above.

Even healthy businesses can be affected by zombies, and there’s a lot of them out there. So, stay safe and make sure to look into your finances on a regular basis.

