

Five Issues Keeping Business Owners Up at Night

Based on a VERY informal survey of selected accountants, attorneys, consultants and small business owners I've compiled a list of the "Top Five" Issues affecting small business owners today. I can say that this fits with my own observations stemming from counseling, advising and training hundreds of business owners during the (current) recession. For sake of brevity, we'll call these... "The 4 C's and a G" hierarchy of issues: They are presented in no particular order; however, I think you'll find them interrelated and correlated.

- 1. Customers:** Demand across the board, whether it's B to B or B to C is down. Consumers and businesses alike have hunkered down in their spending. Customers are taking longer to make decisions, seeking "sales" or discount pricing and in many instances, simply foregoing or severely restricting their purchases of goods and services. Families, individuals and businesses are holding onto cash, deleveraging on the debt side and in general scaling back.
- 2. Competition:** In a word, it is fierce. More so than usual as competing businesses vie for the same customers (see point 1), and cut prices to keep current customers or capture new ones. Additionally, for many service-based businesses (think consultants, technicians, etc.), the high and extended unemployment rates have caused a lot of unprepared/unsophisticated and desperate competitors into the market place. These cannibalistic competitors don't understand the real costs of doing business are hungry for any kind of income and frequently offer services at "market entry" discounts (otherwise known as unsustainable pricing). This results in driving many products or services into the "commodities" quadrant of price structure which has extremely narrow margins and in many cases, negative margins. True, the cannibal competitors will likely go out of business, however, there are more coming behind them to fill the gap. All the more critical for businesses to differentiate themselves and try to maintain "profitable" margins.
- 3. Cash Flow:** Cash is always king and while the river might not be dry, it certainly is running at draught levels. That is, reduced sales (see # 1), limited pricing flexibility (see # 1 & 2), squeezed margins due to # 1, 2 and increasing costs of inputs due to inflationary increases in fuel, various commodities (grains, metals, oil, etc.) even cash-based businesses are suffering. Then, let's add on the timing factor of chasing down your receivables. It seems customers are taking longer to pay on their purchases and business owners are spending more time trying to make their collections. This has a cascading effect as available cash dries up and payables get stretched. And remember, one person's payables are another person's receivables!
- 4. Capital:** Banks aren't lending and owners have tapped out their equity. Well, not entirely true, but the point is, many business owners are trying to shore up their balance sheets and maintain operations through capital injection. In many cases, the owner(s) have seen their available (personal) cash reserves diminish, the value of their