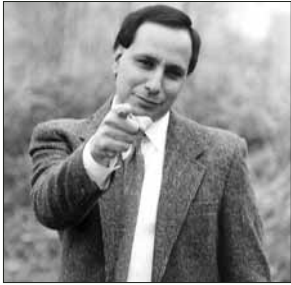


The Guerrilla Framer



by
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Recession-Proof Your Business

You've heard rumors: The sky is falling. The economy is collapsing all around us. The housing market has slowed. A recession is upon us.

Is it true? How should I know? I'm neither a meteorologist nor an economist. The one thing I can tell you for certain is that if we are headed into a recession, I intend to be prepared and so should you.

A recession is bad news for the custom framing industry, but it doesn't have to be bad news for your business. In fact, for the well-prepared business, there may even be a silver lining in those economic storm clouds. This is because some of your weaker or less business savvy competitors may fall by the wayside during a recession.

Storm Warnings

Recognizing the warning signs of an economic slowdown can help you be better prepared to deal with its impact. I've found that there are two key economic indicators that can help forecast future sales in our industry.

The first is the Consumer Confidence Index (CCI), a monthly survey published by the Consumer Research Center, located in New York City, to gauge the current and short-term eco-

nomie mood of the American public. A rising CCI indicates an optimistic public, while a falling index shows increasing pessimism among consumers.

As a rule, people who are confident and optimistic about their financial future spend more money on discretionary items such as custom framing. Those who are worried about their future generally do not, preferring

instead to save their discretionary cash.

On February 27, 2001, the Consumer Confidence Index fell for the fifth consecutive month. The Index now stands at 106.8 (In 1985, the base year for the CCI, it was 100), down from 115.7 in January. Consumer Confidence has not been this low since June 1996, when it was 100.1.

The second key indicator that bears watching is provided by the real estate industry. You can see the increase and decrease in the sale of new and existing homes in your area. Residential real estate sales serve as a barometer to measure the current state of your local economy. Nationally, and in most locales, residential real estate sales have also been slumping.

Together, these two key indicators

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can help you plan short-term strategy for your business.

Fiscal Fitness

Okay, so what, if anything, can you do when there's a bad moon rising? Actually, there are a number of things you can do to help recession-proof your business. The first piece of advice I can offer, (and perhaps the most important), is to be proactive. The sooner you insulate your business from a recession, the more comfortable you'll be and the more likely your business will survive.

Perhaps the biggest key to surviving and succeeding in tough times is to keep your operating expenses as low as possible. This applies especially to fixed expenses, which occur repeatedly and are not significantly reduced as a result of slow sales. Fixed expenses include rent, utilities, Yellow Pages advertising, telephone, and some payroll costs.

Fixed expenses directly impact the breakeven point of your busi-

ness, which is the amount of sales you need to produce each month before reaching profitability.

Reducing fixed expenses makes your business leaner and more efficient. It also means you'll reach profitability sooner each month and that your business will be better able to withstand a slowdown.

Reducing expenses by a dollar reduces your breakeven point, and increases profit. You can reduce fixed expenses four ways: elimination; reduction; conservation; and conversion.

- Eliminate unnecessary purchases. Do you really need to spend money each month for coffee service or a water cooler?
- Reducing expenses such as insurance is often just a matter of shopping for a better deal.
- Conserving utilities or eliminating an extra phone line is simply a matter of common sense.
- Converting a fixed payroll expense to a variable expense can save hundreds of dollars each month. Hire employees part-time

instead of full-time. This lets you structure your payroll around sales volume.

You may need to face the prospect of having to lay off one or more employees. This is the most painful task any small business owner faces. Handling layoffs is a complex matter about which many good books have been written. But if you are facing the prospect of having to lay off employees, it's better to do it sooner, rather than later. This will ultimately benefit both you and the employees involved.

If you have a location that is already losing money, or is only marginally profitable, closing may be the only solution. As difficult as this decision will be, bear in mind that it's better to take a cold shower, rather than a bath.

The longer you stay onboard a sinking ship, the further in debt you are likely to find yourself. Remember: minimizing expenses is the key to surviving in a time of recession. ■