

In These Trying times, is it all bad news for small businesses?

If you pick up the paper or watch the news how can you not get depressed? Foreclosures, bankruptcies and delinquencies are up. Retailers are closing stores and you hear we are in the midst of the worst depression, recession or down economy since the Great Depression. But is it as bad as everyone makes it?

If you are a small business that really depends on your business. There are pockets of businesses who are growing today. Debt collections, auto repair, environmental and going green companies are growing to name a few. Technologies that improve efficiency and cuts costs to the bottom line are also growing. Today if you can utilize technology to reduce your costs, how many businesses can pass on that? So how will we pay for updates, upgrades and this new technology if there is no credit available? The answer is that there still are lots of funds available; the question is how do you find it and make it work for your business.

Although small businesses make up the bulk of businesses in the United States don't expect a bailout check from the government. While every company could certainly use a 20 billion no holds bar loan from Uncle Sam, nobody should be holding their breath for the "check in the mail". In fact, anticipating an increase in taxes might be more prudent; someone has to pay for all these bailouts. So how do we pay? Credit is one way.

Yes, for as much trouble as we are in, credit is still one of the best options out there, and it is available, well sort of. Banks have money to lend, but you need to be able to show your ability to repay the loan. Keeping accurate records is a great start. Paying your own invoices on time is another. Three years ago we opened a line of credit at Wells Fargo, actually the bank called us, they were soliciting more loans (as any good sales person would do). Although we did not need the LOC, we accepted under the terms the LOC's annual fee would be waived until we utilized it. Three years later we still have not used it, but it is a great tool that is readily available. Take the time to talk with your banker and establish an LOC, right now the banks are hurting for business, so bring your updated financial documents and business plan and sit down. If one bank says no, try another. Your local banks offer an alternative to the big banks and visa versa. Finance companies who specialize in business financing are an option as well. You might pay a bit more in interest, but if you have a sound business plan with realistic projections and show the ability to repay is good and the chance of default is low, you have a chance. Just last week we were solicited for a "improve your equipment" loan. They are out there you just need to look.

Credit cards are a dangerous option. One, the interest rate alone could wipe out your profits. While easy to get, the risks are very high. You can go from a 10% rate to 30% overnight and with say, a \$25,000 outstanding balance your interest payments would rise over \$400 a month. However, if you can manage the credit cards properly they can be a great tool. American Express has a small business card with no fee and if you pay it off every month in full you have a great system to track your expenses (saving you time and money). We run a large amount of our expenses through Amex each month, but pay them off each month. Our accountant loves the details and information available so our books stay clean, It also builds our company's good payment record so if we need that LOC, we have a great track record. Business Credit Reports are not as detailed or automated as personal one so keep records of your business credit to prove your worth to lending institutions,

Other items to consider. Keep on top of your receivables to keep your cash flowing. Do not be afraid to contact clients for outstanding debts. Companies are getting notorious to hold back funds

to pay off debts owed. Major corporations have instilled 75 day payment policies. Make sure you communicate with your clients on the funds they owe and what your payment policy is. Get exact days of promises to pay and follow up immediately on them. If a client gives you a payment schedule of every other Tuesday and that Tuesday comes and goes, call them and get a payment, Report your delinquencies to the credit bureaus, this is an added incentive to companies to make sure you get paid. The squeaky wheel gets oiled first. If you are unsuccessful, seek outside help. Set up a policy that if a client hits 90 or 120 days, you turn it over to a collection agency. A collection agency will go after your debtor to collect those debts owed. Depending on how old the debt is, is how much you are charged. A fee of 35% is a common number on recent amounts owed. If your policies are in place, let your clients know at 120 days late it gets turned over to a collection agency. Remind them they “need” to pay you before to avoid the collection agency issue. You will not lose business over this, if you are not getting paid anyway, how is it lost business? You would be surprised how many businesses let outstanding items just sit and wait to be paid. Sometime a gentle nudging is all it takes. Need help finding or working with an agency? Check with your local State collection association or the ACA international.

Another great way to manage your revenue stream is to constantly evaluate your own expenses. Our postage meter costs dropped 50% when we spoke with our vendor we explained that we could not justify their expense and sure enough they cut it in half. (Same product, new price). Same with our credit card processor. Evaluate what you need and put it out there for bid. Phone service, cellular, internet, computers etc, everything has a cost, in these times most businesses where you are the buyer have some clout to negotiate a better price. Look at all your monthly invoices and make that call, you would be surprised at the savings. And put on your calendar to do this check up each year at the same time.

Lastly, ask for advice. There are local business groups and industry people waiting to help. Not sure who to call? Use the internet to track it down. Consultants want your business and are willing to sit down with you to discuss options. Talk to other small business executives and they might already have a solution to your issue so it will save you time, effort and expense in resolving it. Still not sure, call us, and we will send you off in the right direction. Hang in there, it might be a rough economic time, but it also might be an opportunity for you to grow your business while the rest of the industry sits back and misses the same opportunity.

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