

Tips for Staying Afloat During Tough Times

A well-defined business strategy is essential in a weak economy

ENERGY COSTS and unemployment are up, the housing market is collapsing and businesses across a spectrum of industries are getting pinched as consumers cut back on spending. But Brian Fitzpatrick says he is not worried about his Edison-based company, which makes shampoo, skin care and other health and beauty products for private labels and major brands.

"We make a practice of staying in close contact with our customers, which enables us to identify changes in their needs early on," says the 54-year-old owner and chief executive officer of Bentley Laboratories LLC (see box on page 18).

"By staying current with the changing needs of our customers, we can start working on an appropriate response sooner, instead of later," adds Fitzpatrick.

Having a well-defined business strategy in this kind of marketplace can mean the difference between sinking or swimming, says Jack Nahama, the officer in charge of the Bridgewater office of Amper, Politziner & Mattia PC, an Edison-based CPA firm that holds Bentley Laboratories as a client.

"The ability to track market shifts and quickly react to them is a vital part of surviving or even thriving in a market like this," says Nahama. "Companies should be spending even more time than usual with their customers and be sensitive to any changes in the business environment."

Now is also a good time to review your own company's operations, says Nahama. "A product-driven business should be paying extra attention to its inventory levels as a way to conserve financial capital," he says. "This means thoroughly understanding your product flow, including customer demand, and minimizing your stock of goods while ensuring that you won't be caught short."

Rapid shifts in the economy may make it difficult to engage in effective planning, but today's uncertainties only add to the importance of looking ahead, says Ed Horton, a partner at the Springfield CPA firm of Citrin Cooperman & Co.

"We're in a topsy-turvy world, filled with uncertainty," says Horton. "It's tough to plan ahead when the market is filled with bad news, but it may be even tougher when the outlook is uncertain. People can have a tough time deciding which way to turn when some news is good and some is bad. But they still have to consider their options."

He says the Federal Reserve's recent steps to reduce interest rates means this can be a good time to refinance loans, if a company can qualify under the increasingly stringent lending standards that many banks have imposed in the current credit crunch.

"In general, it's good to reduce debt, but in a tight-money environment you don't want to go overboard," Horton says. "One of our clients committed so much free cash to quickly paying down his capital-asset debt that he had a cash-flow squeeze. He was trying to retire his loans over a five-year period, but we ended up advising him to try to lock in a low rate and pay it off during a seven-to-10 year period."

Horton says that paying extra attention to basics can be particularly important during weak economic times. "Keep a close watch on your cash flow," he says. "Track your receivables and watch out for slow-paying customers. Keep communicating with them and perhaps step up your collection efforts."