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Friday, May 23, 2008

In My Opinion

Follow these tips to prepare your business

Pacific Business News (Honolulu) - by [Scott Power](#)

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Predicting the depth of the next recession has become a sort of Hawaii parlor game.

Nobody knows for certain how bad it's going to be, but with the recent demise of Aloha, ATA and the concomitant downturn in tourist numbers and the rise in personal bankruptcies, the drumbeats are getting louder. While local politicians, economists and even Gov. Linda Lingle weigh in on this matter, my best advice (as a number-crunching accountant) is to be prepared.

Whether you operate a business out of your home or on Bishop Street, here are some common-sense tips that you should consider:

- Don't stop marketing. The Pavlovian reaction for most businesses is to chop your advertising and public relations budget. Instead of whacking your marketing program, it's better to look to

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and see where you are actually getting a return.

Michael Nieling, founder of Ocupop, a Honolulu-based design and marketing firm, says that when dollars become more of a premium he often steers his clients to focus on Internet marketing. He says that with Web-based marketing you can quantify your return on investment by verifying if your target audience clicked on ads or followed up on a free offer.

- Trim the fat. That might mean postponing nonessential purchases, shrinking office space or adopting telecommuting for key employees.

Lou Darnell, president of ComTel, a local communications technology firm, decided to vacate his \$10,000-a-month downtown Honolulu office and house his operations staff with his inventory at a much-less-expensive location in Kalihi. He also has deployed a telecommuting strategy for half of his 20-member staff. He not only saves money on rent but, Darnell insists, telecommuting enabled his company "to consolidate our operations, reduce rent and parking costs, park outside our building (which eliminated a 15-minute walk to the old parking garage) and have a happier staff.

- Circle the wagons -- get your employees involved. When trouble rears its head, your employees can be a great source of ideas and energy. Be candid with them and engage their input.

Brenden Fritsche, a managing partner of Lulu's Waikiki Restaurant, says as tourists are on the decline, he is facing this very situation. With sales declining, tips are down and morale at Lulus has taken a big hit. He says keeping everyone involved and busy on various projects that they normally would be too occupied to do has improved esprit de corps.

- Attend to existing customers. It's always easier to keep customers than to find new ones. Cliff Miyake, general manager at TW Telecom (formerly Time Warner Telecom), makes a point of extending a hand to his clients when times are tough, making sure they are aware of money-saving technology or ways to leverage existing technology so they get more bang for the buck. He also suggests taking clients out to lunch more often.
- Debt consolidation and refinancing. It is very likely that interest rates have bottomed out for this business cycle. Inflationary pressures are intensifying, which in turn places pressure on the Federal Reserve to start raising interest rates in the not-too-distant future. Therefore, now is the time to lock in the interest rate on your outstanding debt. Consider talking to your bank or credit union to convert all or a portion of your debt into a fixed-term and fixed-interest-rate loan. Avoid loans that have a prepayment penalty and keep the monthly payments within an

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affordable range.

- Get started now. Don't wait until you're in the middle of a cash crunch to prepare for a business downturn. Prod slow-paying customers to clean up their acts and start cutting costs before you begin losing money. Diversify your client base and apply for credit while your business is thriving. You'll look stronger to creditors, and your customer base will view you as a planner, rather than someone who waits until the last minute to act.

Scott Power is president of MontPac Outsourcing, a Honolulu-based accounting and financial outsourcing company. Reach him at spower@montpacoutsourcing.com.

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