



2010 The New Economy – Moving Forward

The New Year is here and the new economy as well. Most everyone agrees that overall, growth will be slow at best. Some industries will still see “negative growth” – (you got to love that phrase). Others will be stagnant and some industries will actually benefit from the new economy due to positioning their company in a market niche designed just for them or from the lack of competition due to business closings in their market space.

Due to the 2010 expectations listed above, you need to take a close look at your sales and expense forecast/budget for the year. Whether your company goes through the process of developing a formal budget or not, most business owners do set “in their mind at least” their expectations of what level of total sales they think the company will hit and what the gross “mark up” they want to obtain. However, the two parts many miss are:

1. Estimating what levels and mix of inventory to carry and;
2. What level of infrastructure is needed moving forward – the Cost of Labor and General Administrative Expenses.

In this new economy, you cannot fall asleep at the wheel when it comes to these two issues. If you do, you can effect and wipe away much of the current equity value of your business.

If you are service business, inventory may or may not be an issue at all. If you manufacture products or are a service company that provides services and products, then much money can be lost here. Having to “dump” inventory at a lost at the end of the year can be so costly when you include all your overhead costs (payroll, storage, interest, etc.) on top of the original purchase of the inventory.

Labor and your support staff typically runs over 30% in a company so setting your total sales expectation too high can cost your company dearly if the sales do not materialize – draining you of needed working capital. Employees are what make a company yet they do have a life outside of work and need to count on entrepreneurs to make wise decisions as to the proper labor force. Remember, if the company goes under, none of the employees will benefit.

Having a stable staff that has years of experience in your company boosts the value of your company when the time comes to exit your businesses and allows you the

opportunity of finding Buyers who can even provide a better future for the company as it grows and has the economies of scale to provide better benefits.

This is the year that can help you maintain and grow the value of your company, or it can be the year that makes your exit strategy more of a flame up, burn and crash exit in the near future. Buyers buy based on the future outlook and pay based on the past profits.

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