



Small Business Builder: Why It's Tough to Plan

With Consumer Confidence in Doubt, Entrepreneurs Hang on Tight

By Mary Campbell

April 4

The small-business owner was shaking his head and would doubtless have been wringing his hands if he hadn't been holding a newspaper.

We were both early arrivals at the business breakfast at which I was to give a 15-minute talk. When I plopped my notes and handouts down on the table, he looked up, half-smiled, and said, "It's darn hard to plan these days."

I correctly assumed he was referring to the economic climate and its effect on his business — a dry cleaner — and not to the weather and its effect on his choice of footwear. As we were sipping coffee, my new friend — George — mentioned that business was slightly down. "When money is tight, people stink," he said. "They don't get their clothes cleaned as often."

Fear Fuels the Fire

Measures of consumer confidence have been all over the board of late. But one worry looms — when consumers give up on the economy, they curtail spending. Business owners take fewer risks, spending less on marketing, research, development, and wages.

Businesses like George's, which rely on discretionary consumer spending, are especially vulnerable. In fact, compared to big business, it's harder for most small companies to sustain operations during a decline, though their greater agility can make it easier to shift gears.

George, who had already begun cultivating customer loyalty through frequency discounts, is thinking about converting part of his plant to self-service — something he wouldn't attempt if the economy were to recover soon.

That Cover-guy Grin

But — the future being, after all, in the future — no one really knows what will happen. Some believe that recent evidence of an upturn in confidence does indeed augur well for the economy, while others expect confidence to cycle downward again as stock-market realities catch up with consumers.

Can Federal Reserve chairman Alan Greenspan — who's been on more magazine covers lately than Julia Roberts — doctor the New Economy back to pink-cheeked robustness? Should George go ahead with his self-service project?

George was righter than rain; it's darn hard to plan. That's why a small business needs a strategy for all seasons.

Next week: Prepare for Battle: Strength-builders and Band-aids

An editor since the age of 6, when she returned a love letter with corrections marked in red, Mary Campbell founded Zero Gravity in 1984 to provide writing, editing and marketing services. Small Business Builder is published on Wednesdays.

Copyright © 2007 ABC News Internet Ventures