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Retrench, restructure & ride out the **economic storm**

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From renegotiating your lease with your landlord to cutting costs on credit card processing, utilities, insurance and advertising, small businesses can take many steps to retrench, restructure and otherwise adjust to ride out the current economic storm, business experts say.

“Businesses can do more with less — be less wasteful and frivolous and keep their belts tightened,” says Anthony Ruiz, regional director of the Maryland Small Business Development Center Network (SBDC) for the capital region.

Renegotiating a lease is a win-win proposition for tenants and landlords alike, says Andrew C. Nadler, principal and founder of Summit Strategies LLC in Potomac, which provides real estate advisory services.

“Tenants are struggling and landlords are losing tenants, and in the new economy today they need each other equally,” he says.

Landlords don’t want to lose tenants because vacancies discourage other, prospective tenants, Nadler says. Meanwhile, landlords’ lenders are putting pressure on them to pay their mortgages. At the same time, retail tenants are suffering because their business is down and they don’t necessarily know that they can talk to their landlord about a rent concession.

Counselors at the Maryland SBDC often refer retailers in such situations to Nadler to facilitate “amicable” lease

restructurings.

“[Landlords] don’t want to be bankers, but they are in a precarious position because they have to determine whether to give a retailer a rent concession, and if they do is the retailer still going to survive at the end of the day?” Nadler says. “Even if [landlords] lose money on rent, they want the retailer to survive.”

In addition to facilitating rent reductions, Nadler also suggests other “business optimization solu-

tions” to increase a small business’s revenue or decrease its operating expenses. These steps are all taken to boost cash flow, “which is the crux of what they are trying to do to stay alive,” Nadler says.

One step is to reduce merchant credit card processing fees, which retailers have to pay to MasterCard, Visa, Discover or American Express every time a customer swipes a credit card. Through an arrangement Nadler has set up with another processing company, he says retailers can pay lower processing fees while using the same terminals and save “thousands of dollars” a year.

“It takes about 15 minutes to reprogram their terminals and then they are up and running, saving money and freeing up cash flow,” Nadler says.

Because Maryland and the District of Columbia are deregulated jurisdictions, small businesses in the area also can save money on their electricity costs by using “servicing agents” other than the big power companies.

John L. Herman Jr., a Baltimore-based consultant who runs a business-training website called Herman University, advises small businesses to review their marketing and advertising strategies.

“Money spent on marketing right now might be wasted money because you are marketing to an audience that has no ability to buy,” he says. “People who think they can advertise their way out of the recession accelerate their demise.”

Instead, he suggests that businesses “find ways to market for free.”

“If you run a restaurant and a party of four comes in, charge them for only three dinners,” Herman says by way of example. “You have to give away some of your product to keep your doors open and keep people coming in. Give your customer base something they want so they’ll continue to come back to you.”

Small-business owners facing financial problems also could be better off closing or selling their enterprises than borrowing money they will be unable to repay.

“Borrowing money to get through this hard time is a huge mistake,” Herman says. “A year from now, you still might have to close or sell your business. You’re just making the hole bigger. Don’t create more debt that’s going to make it harder for you to stay alive in six months or a year — the debt you’re in already is the problem.”

