

# Small Business Notes

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## **Reopening a Retail or Consumer Products Business -- First Considerations**

Although the coronavirus shutdown has been relatively short to date, its impact has been profound. An April working paper of the National Bureau of Economic Research showed the results of a survey of 5300 small businesses.

- 43% of small businesses surveyed were temporarily closed;
- surveyed businesses had reduced employee counts by 40% on average;
- the median small business has monthly expenses of at least \$10,000 but less than one month's cash on hand.

As the federal and state governments address the timing and circumstances of business re-openings, it is clear that there may not be a return to pre-virus business conditions and operations, certainly not a quick return.

Since many small businesses are in the retail or consumer products sectors, we identify below some initial considerations to guide the business owner in the decision about if and when to re-open.

- Make a realistic assessment of the market and your place in it. Consumer preferences may have changed; consumer perception of the utility and value of your product may have changed; or consumers may have found a substitute for your product and/or a substitute source.
- The traditional advantage of being first into a market may not apply to being first to re-open in the face of consumer preferences changes and the expenditure of resources that could better be deployed as a later market entrant after the scope and dynamics of the market become clearer.

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- Know the reality of your pricing limits, offering discounts, promotions, coupons as a re-opening strategy may not be sustainable. Most small businesses can operate only in a very narrow band of pricing. Raise prices and the market goes away. Lower prices and the business fails. In this case, the danger is that the consumer sees the withdrawal or expiration of a discount or promotion as a price increase.
- Assess the viability and timing of your supply chain all the way back to its start being sure that your immediate suppliers can themselves get continuing product to meet your needs, and that supplier pricing is within your limits.
- Speak with your banker about your pre-opening condition and the assumptions you make about the costs and revenues of re-opening. Seek adjustment to loan terms, conditions and covenants. Determine the possibility and amount of immediate and intermediate term loans or lines of credit. The Federal Trade Commission (FTC) has put up on its [Business Blog](#) page an excellent quick guide "[Small Business Financing: Considerations for Borrowers and Lenders During the Coronavirus Crisis.](#)"

Please check back to future issues of Small Business Notes for more on re-opening issues.

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