In recent columns we have been focusing on business income. But there is one topic that I haven’t mentioned. As we receive requests for business help SCORE, quite often we experience a small business owner that is trying to figure out what to do when the income doesn’t come in all year around. This varies from a landscape business to a seasonal craft business to one that is dependent on good weather and tourists.

When it comes to seasonal income, it's not so much a matter of getting paid on time, like we addressed in the last columns because usually one already knows with some certainty when you'll be paid. But the real problem is how to deal with the lack of income throughout the rest of the year. Obviously, many can't just close the operation for nine months of the year because that would create some seriously nonproductive real estate. So how do businesses that earn 80% of their revenue in one quarter manage to survive throughout the year?

Consider this case that we observed recently. Frank (not his real name) owns a nursery that generates almost all of its revenue during the second quarter of each year. And each year, Frank finds it harder to compete with national chains including home supply stores that offer a wide range of gardening and related products. Frank is also having difficulty paying fixed expenses. For example, he needs to pay rent and a few full-time employees during the quarters when revenue is low. One of the questions he asked was should he borrow money from his father-in-law to bridge the gap during the slow months? What advice would you give Frank?

Here is a starter. The real issue is the seasonality of the business. "If you make most of your money in the one quarter," says SCORE mentor Beverly Simpson, "you really need to control cash and costs for the year. One of your goals is to avoid carrying that seasonal inventory for the whole year. Another goal is to minimize your staffing expenses. The common approach is to add sales people and temps in that busy quarter." In all cases, you need to constantly review overhead and staffing costs.

Another solution may be to consider product diversification. Every nursery that tries to operate for 12 months needs year round products or services. They might not be enough to carry the store but they should be enough to pay most of your expenses and minimize off-season losses. Some nursery operations try to sell crafts and home decor with some relationship to nursery, types of garden decor. I've seen other nurseries getting into gift
lines or pet food. That's often very difficult to accomplish because this may require you to focus on a new potential customer base so you will need to figure out how you will market that as part of your main focus. In your market analysis, I suggest that you ask why will people come to me for that product or service? The answer to that question should guide your marketing strategy.

Regarding the question of borrowing from the father-in-law, a word of caution is in order. In general, Frank should be careful about borrowing since experts agree that it's best to avoid going into debt for seasonal needs. **Borrowing will not fix the real problem.** It will keep coming back each year. If you do borrow for seasonal requirements, seek short-term borrowing. That is, you should try to repay a loan like this quickly and make sure that your business can support the payment of this short term debt. If the father-in-law is able and willing that may be OK, but a reasonable solution may be a line of credit from a bank as a longer term strategy.

The real answer is to focus on the real problem…seasonal income. A successful business with seasonal income will need to focus on controlling costs (ongoing overhead and staffing primarily) throughout the whole year, seek ways to diversify the business, and/or build into the pricing of the products and/or services the costs of short term loans for cash flow during off seasons. In reality, it may mean cutting costs as much as possible, and reduce staff to as a low as possible (and perhaps rely on temp employees along with one key permanent employee like a store manager).

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