



Locked in with
LOCKEHOUSE

Newsletter Archives

Brown's Rants

Week Ending April 23rd, 2022

Recession or Not, Some Tips for Small Businesses to Prepare

This week economist Paul Krugman wrote an interesting piece in the New York Times, "[How a Recession Might—and Might Not—Happen](#)" that I think is worth reading. Speculation about a recession ahead has surged in the last few months. Some of it has been through faulty comparisons of the current situation with the 1980s...or the stagflation comparison. Yes, we have a strong possibility of inflation (currently in the high 8% range) crossing over into double-digits with the next few monthly datasets. But the double-digit inflation of that time was paired with double-digit unemployment. We've got the opposite—a substantial shortage of workers.

For economists, a more ominous economic indicator has been the inversion of the yield curve—which [occurred three weeks ago](#). This is when the yield rate on shorter-term treasury notes becomes higher than the yield on longer-term notes. The yield curve is the spread between a bank's cost of money versus what it will make lending it out or investing it over a longer period of time. If the banks can't make money, lending slows. And so does economic activity.

Unfortunately, since 1955 the yield curve has inverted 12 times, and there have been recessions in 11 of those occurrences. These recessions have come in as soon as seven months, or as long as 24 months out.

This is all transpiring as retail is coming off an 18-month surge, fueled by the uneven impacts of the pandemic, stimulus relief, the shift to buying goods over services, and strong wage growth (that until recently was outpacing inflation). This is not to say that the good times are over, or that a recession is absolutely inevitable. The Federal Reserve, in its efforts to tame inflation, will almost certainly raise interest rates by a full percentage point at its upcoming meeting. They still may be able to engineer a soft landing—slowing the economy, without crashing it—and the strength of the labor market is one of the reasons why. The last readings on job availability stood at a record 11.3 million. In the growth years from 2012 through 2019, this metric averaged 5.6 million. In other words, if the job market slowed to half of what it is right now... it would still be in decent growth territory.

Regardless, there are dozens of scenarios that could play out, but what is always important is that businesses have a downturn plan. I speak regularly at industry events as well as to the real estate and/or franchising groups of large chains on economic and retail trends. This week I am giving one of the keynote addresses at the [ConnexFM 2022 National Conference](#). While I will be speaking about the state of retail and retail real estate—its astonishing rebound—I also have to talk about the fact that the recession risk ahead is substantial. The good news is I suspect that if one happens it will be more along the lines of an investor class reset (like the tech wreck of 2000/2001—that one didn't even infect the greater economy and become a recession until 9/11 happened). But what may be more critical than predicting downturns—they always eventually occur, is sharing strategies on how to prepare for them.

This is especially critical for small businesses. They drive 44% of all U.S. economic activity (GDP), yet a recent JPMorganChase study found that the average small business holds 27 cash buffer days in reserve. This supports surveys that the Small Business Administration has run in the past that have determined that 25% of all small businesses don't have enough cash on hand to withstand a one-month downturn. We certainly saw this during the pandemic; most of the restaurants and health clubs that failed did so in the first few months.

So here are some tips I have put together for small businesses to prepare for downturns, all of which start with having an actionable recession plan:

1. Create a Quarterly Cash Flow Forecast
 - a. You cannot manage what you cannot measure.
2. Plan for Different Scenarios
 - a. Best Case
 - b. Mid-Case
 - c. Worst Case
3. Shore Up Your Accounts Payable/Receivable
 - a. Do a Deep Dive Review of Your Books NOW
 - b. Collect your receivables. If you were generous with terms during the pandemic, start tightening them up NOW.
 - c. Double-check your payables and your vendor billing.
 - d. Make sure you're not being overbilled.
 - e. Pay your debts in a timely manner to reduce penalties.
4. Negotiate with vendors
 - a. Longer commitments at discounted rates for essential services will pay off in the long run.
 - b. Press for discounts wherever available.
5. Reduce Cash Going out NOW
 - a. Hold off on big purchases.
 - b. Delay launching pricey or risky new initiatives/ventures, unless you are certain they would build value in a downturn (pivots to recession-resistant goods or services. In which case, accelerate.
 - c. Look for small, non-disruptive cost-cutting measures you can make NOW, it will mean less disruptive ones later (like layoffs).
 - d. Cancel unnecessary subscriptions and services NOW.
 - e. Reduce redundancies in service and staff (try to pivot employees, if possible, to minimize disruption to morale.

- f. Renegotiate your rent with your landlord. Consult a reputable commercial real estate broker.
6. Don't Neglect Your Marketing Efforts
 - a. This is the last thing you want to cut when a recession hits.
7. Keeping Your Workforce Lean and Mean Before a Recession, Means Less Likelihood of Layoffs
 - a. Avoid over-hiring now, if possible.
 - b. Eliminate redundancies where possible.
 - c. Let attrition work for you.
 - d. Consider using temp agencies for immediate needs
8. Focus on Strengthening Your Relationships with Clients/Diversify Your Client List
 - a. If anyone's client accounts for more than 10% of your total business, or if your top five clients together account for more than 25% of your revenues, you MUST diversify.
9. Transition Out Troublesome Clients
 - a. Unprofitable clients, those that ask for extras, complain regularly, pay late or under-pay may not be worth the effort.
10. Aggressively pay down debt NOW. FREE YOURSELF FROM DEBT BEFORE A RECESSION HITS.
 - a. Focus on higher interest rate debt first.
 - b. Having little to no debt entering a recession is always the difference-maker when it comes to survival... much less thriving.
 - c. Focus on reinforcing existing lender relationships or building new ones—you may need to borrow when the recession hits.
11. Focus on Doing What You Do Best

The most important of these is number 10: aggressively pay down debt. To paraphrase Warren Buffett, "it's only when the tide goes out that you see who has been swimming naked." He was speaking about recessions and debt. Too much debt, especially at the wrong time, is a killer. Companies that go into downturns with a war chest almost always prevail.

A quick reminder; check out our newly launched podcast, The Retail Grind. [Click here to access our page and connections to all of the major podcast services where you can subscribe.](#)

In each episode, my cohost [Bill Yanek](#) (ConnexFM CEO) and I tackle the latest economic, consumer and retail news impacting our sector. If you want to know the latest news on retail and restaurant expansion plans, consumer trends, economic forecasts... you name it... anything that impacts the retail and shopping center worlds we will be covering it in an entertaining and informative show for those of you on the go!

We have another episode in the can that will be dropping shortly and a whole lot of episodes in the works with some fascinating guests covering everything from reviving small-town retail to episodes on the state of the mall world and the state of grocery-anchored retail shopping centers.

I hope you enjoy and subscribe!

See you next week.
Garrick



Top 10

Stories of the Week

[How a Recession Might or Might Not Happen](#)

New York Times 4/22

[Rite Aid Rejects Unsolicited Buyout Offer](#)

Retail Dive 4/22

[Apple Store Workers Vote for Union](#)

Chain Store Age 4/22

[Simon, Brookfield Reportedly Interested in Bidding for Kohl's](#)

Chain Store Age 4/22

[The Fed is About to Get Tough on Inflation](#)

Retail Wire 4/21

[Just Eat Takeaway Explores Possible Sale of Grubhub](#)

Supermarket News 4/21

[What Are Screens Doing to Us?](#)

The Robin Report 4/20

[High Times for Cannabis in the Retail Industry](#)

The Robin Report 4/19

[Home Retailers Like Brooklinen and Restoration Hardware Have Big Expansion Plans](#)

Forbes 4/18

[With Shanghai at a Standstill, Supply Chain Problems are Compounding](#)

Retail Dive 4/18

[After Closing Physical Stores, Amazon Doubles Down on One Day Delivery](#)

Retail Dive 4/18



Economic Headlines

Stories of the Week

[How Chipotle is Handling the Labor Turnover Crisis](#)

QSR Magazine 4/22

[The Great Restaurant Resignation or the Great Restaurant Reshuffle?](#)

QSR Magazine 4/22

[Fewest Americans Collecting Jobless Aid Since 1970](#)

Retail Wire 4/21

[Why Your USPS Mail Package Delivery is About to Get Slower](#)

Retail Wire 4/21

[Big Companies Manage to Pass on Soaring Costs to Cash-Strapped Consumers](#)

Retail Wire 4/21



Property Trends

Stories of the Week

[Redevelopment of Shuttered Phoenix Mall Will Cost \\$1B](#)

Phoenix Business Journal 4/22

[Big New Furniture Store Gives Troubled Great Northern Mall New Look](#)

Syracuse.com 4/22

[As Dollar Stores Proliferate Food Deserts, Some Communities Push Back](#)

Retail Wire 4/20

[What is Union Square's Fate in a Post-Westfield World](#)

The Real Deal 4/20

[The Re in Retail Now Stands for Repurposing](#)

The Robin Report 4/18

Retail Headlines

Stories of the Week

[Three Big Reasons Why What Worked at Target Isn't Working at Bed Bath & Beyond](#)

The Robin Report 4/24

[Academy Sports Takes Former Toys R Us Box in Richmond VA](#)

Richmond Bizsense 4/23

[Google Opening Retail Store in Williamsburg](#)

The Real Deal 4/22

[Hobby Lobby Opens in Clarksburg WV](#)

WV News 4/22

[Champs Opens New Experiential Store Concept](#)

Apparel News 4/22

[Gucci Opening at Roseville Galleria](#)

Sacramento Business Journal 4/22

[Boot Barn Opens in SE Memphis](#)

Memphis Business Journal 4/22

[Urban Outfitters Lands at Ross Park Mall](#)

Pittsburgh Business Times 4/21

[Fleet Farm to Open in Muskego WI](#)

Milwaukee Journal Sentinel 4/21

[What Lululemon is Prioritizing in the Years Ahead](#)

Retail Dive 4/21

[Tractor Supply Targets 75 to 80 New Stores for 2022](#)

Chain Store Age 4/21

[Showfields Opening More Locations](#)

Chain Store Age 4/21

[Has Barnes & Noble Turned the Page?](#)

Retail Wire 4/20

[Wawa Plans to Double Store Count](#)

CSP Daily Online 4/20

[There's More Upside Ahead for Costco and BJ's Thanks to Their Low Prices](#)

CNBC 4/20

[PVH Says the Scale of its Brands Puts Aggressive Goals Within Reach](#)

Retail Dive 4/19

[KC Barbershop Chain Scissors & Scotch Ramping Up Growth](#)

Kansas City Business Journal 4/19

[Dillard's Closing Clearance Store in Tampa](#)

Tampa Bay Times 4/19

[Has Gap Hit Bottom?](#)

Retail Dive 4/19

[Brooklinen Coming to Four Major Cities](#)

Sourcing Journal 4/18

[Uniqlo Targeting 30 New North American Stores Annually](#)

Chain Store Age 4/16



Grocery Headlines

Stories of the Week

[Sprouts Set to Open New Central Florida Store](#)

Click Orlando 4/22

[How DFW Grocers are Preparing for H-E-B's Grand Entrance](#)

Dallas Morning News 4/22

[Two More Amazon Fresh Stores Coming](#)

Eat This Not That 4/22

[A Look Inside the New Roche Bros Store in Boston](#)

Supermarket News 4/22

[Stop & Shop Closing Two New York Stores](#)

Hudson Valley Post 4/22

[Tony's Fresh Market Sold to Apollo Global Management](#)

Grocery Dive 4/21

[Super G Mart Plans Big Charlotte Area Store](#)

Charlotte Observer 4/21

[Amazon Fresh Opening Three SoCal Stores](#)

Winsight Grocery Business 4/21

[Kroger Delivery Headed to Florida](#)

Winsight Grocery Business 4/20

[Amazon Fresh Coming to Roseville CA, Possibly Elk Grove](#)

ABC10.com 4/19

[Big Y Joins the Small Store Trend](#)

Grocery Dive 4/18

[Hy-Vee Scraps Plans for Five Twin Cities Stores](#)

Bring Me the News 4/18

Restaurant News

Stories of the Week

[Schlotsky's Expands in Oklahoma](#)

QSR Magazine 4/22

[A Look Inside Haagen-Dazs New Shop Design](#)

Chain Store Age 4/22

[Buffalo Wild Wings To Go Expanding in Milwaukee](#)

Milwaukee BizTimes 4/22

[Ono Hawaiian BBQG Says Aloha to 100th Unit](#)

Restaurant News 4/22

[Federal Donuts Prepares for Major Growth Chapter](#)

QSR Magazine 4/21

[Shipley Do-Nuts Inks Agreements to Enter Two New States](#)

Restaurant News 4/21

[Nashville Style Hot Chikn Kitchn Seeks 200 Locations Nationally](#)

QSR Magazine 4/21

[Fazoli's Opens in Fort Payne AL](#)

Restaurant News 4/21

[Slutty Vegan Opening in Athens GA](#)

QSR Magazine 4/21

[Jeremiah's Italian Ice Expands in Florida](#)

Restaurant News 4/21

[Artichoke Basille's Pizza Expands in Arizona](#)

QSR Magazine 4/20

[Zaxby's Opens in Avon IN](#)

Restaurant News 4/20

[Modern Market Eatery Holds First Store Opening Since 2020](#)

QSR Magazine 4/20

[PJs Coffee Opening in McAllen TX](#)

Restaurant News 4/20

[Cinnabon, Carvel Testing Out New Joint Concept](#)

QSR Magazine 4/20

[Chicken Salad Chick Opens Third Missouri Store](#)

Fast Casual 4/20

[Potbelly Poised to Grow to 2,000 Locations](#)

QSR Magazine 4/19

[Big Chicken Making Big Waves in Florida](#)

Fast Casual 4/19

[Epic Italian Food Hall Eataly Finally Opening Bay Area Location](#)

San Francisco Chronicle 4/19

[Dickey's BBQ Continues Rapid Expansion](#)

Restaurant News 4/19

[Popeye's to Open 200+ Stores in US, Canada in 2022](#)

Chain Store Age 4/19

[Will Focus Brands Make the Next Big M&A Move?](#)

QSR Magazine 4/18

[Velvet Taco Adding Dallas Uni](#)

Restaurant News 4/18

[Crave Hot Dogs & BBQ Signs Multi-Unit Agreement for Arlington TX](#)

Restaurant News 4/18

[Chopt Opens in Atlanta](#)

Fast Casual 4/18

[Chicken Salad Chick Expands in Atlanta](#)

Fast Casual 4/18



REITs, Landlord & Development

Stories of the Week

[Naperville IL Shopping Center Sells for \\$52M](#)

The Real Deal 4/22

[Aldi-Anchored Center in Texas Sells for \\$25M](#)

ConnectCRE 4/22

[Nut Tree Plaza Sells for \\$124.5M](#)

Sacramento Business Journal 4/22

[DC Retail Portfolio Sells for \\$200](#)

Shopping Center Business 4/22

[Starwood Takes Steep Loss on Bolingbrook Shopping Center](#)

The Real Deal 4/22



eCommerce / Omnichannel / Retail Tech

Stories of the Week

[Last Week's Top Retail Technology Stories](#)

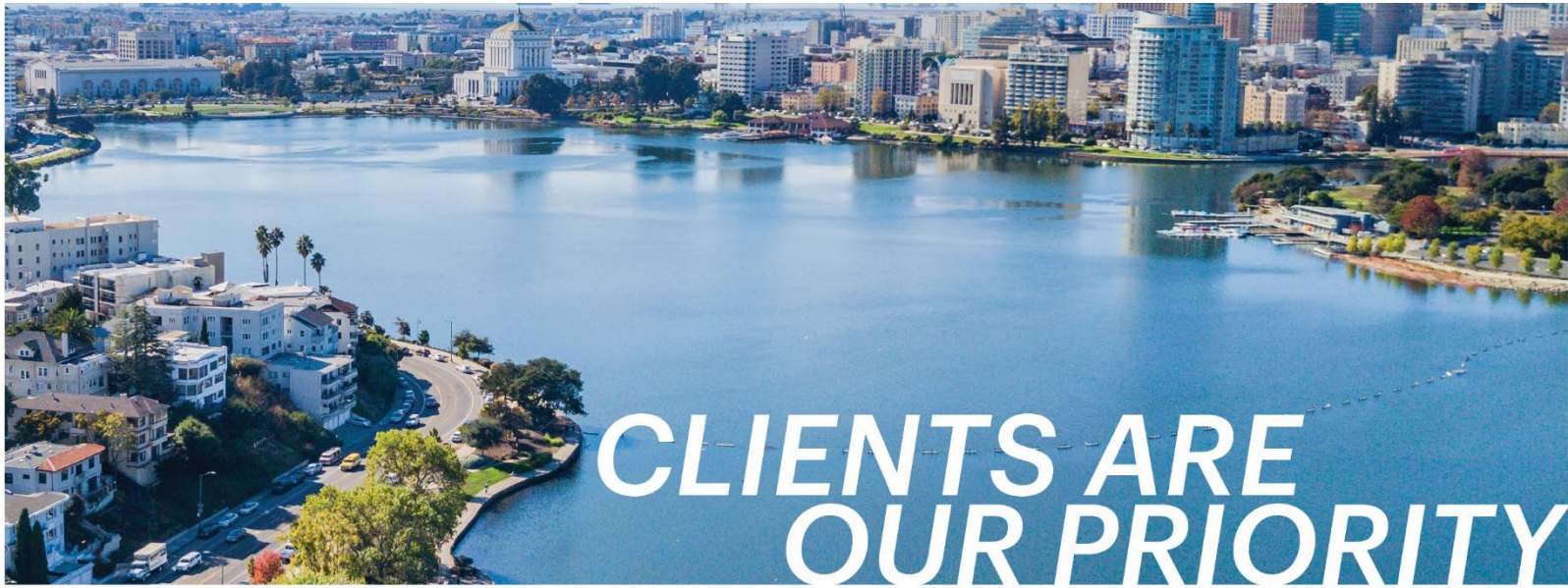
Retail Technology Innovation Hub 4/24

[How Lowe's Retooled its Logistics Network to Meet Pandemic Demand](#)

Retail Dive 4/21

[What Gen Z Wants to See From the Metaverse](#)

Retail Dive 4/20



WE ARE LOCKEHOUSE RETAIL GROUP. IT IS OUR MISSION TO DELIVER EXCEPTIONAL VALUE AND SERVICE TO OUR CLIENTS, INVESTORS AND COMMUNITY.

SERVICES

- ✓ Retail Leasing
- ✓ Mixed-Use Leasing
- ✓ Investment Sales
- ✓ Property Management
- ✓ Consulting
- ✓ Build Out Management
- ✓ Development Services

LOCKEHOUSE

Prepared by Garrick H. Brown
COO & Director of Advisory Services
925-627-7900
garrick@lockehouse.com

2099 Mt. Diablo Blvd., Suite 206,
Walnut Creek, CA 94596
License #01784084
www.LOCKEHOUSE.com