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When Business Rains Come, Have an Umbrella Ready

Many businesses — contractors included — never survive to the five-year mark. The usual reason? An unexpected cloud overhead overwhelms their lack of preparation.

Repeat after me: The most expected hardship businesses run into is the unexpected. I wrote a few months back about challenges in my personal business this year. I won't bore readers with details, but revenue fell sharply for months while fresh liabilities stacked up. It got tough, really tough. But we managed because we prepared for the unexpected as best we could.

This scenario plays out often in business. You build up customers and contracts to get things rolling. You work hard and it all looks great on sunny days. Then, clouds roll in. Many new businesses can survive a few rainy days, but what happens if it rains for weeks or months?



Don't wait for a hard rain to see what kind of shape your umbrella is in.

PROTECT YOUR BUSINESS

Contractors who expect and plan for the unexpected — who plan from day one for extended periods of business hardship — are the ones who make it past that critical five-year mark. How do you do that? The answer remains the same, whether monthly gross is \$10,000 or \$10 million. Keep costs low and cash on hand, and pay down debt with every scrap of revenue you can spare.

Low costs: It costs money to make money. That has stayed true since humans invented commerce. But how much money does it take? That, of course, differs for each business. You have bills, maintenance costs, consumables, utilities, gas, payroll, *etc.* Revisit costs for these regularly and look for ways to trim. Cut sensibly. Office cuts can mean just turning out lights in unused rooms or buying cheaper printer paper. That's easy. Trying to make consumables last longer than they should goes past sensible to risky. Better to revisit suppliers and get competing bids.

Cash on hand: People talk often about having a personal rainy day fund. It's no different for businesses. Talk to peers (yes, maybe even

competitors) about what makes sense for your particular facet of the industry. In my case, we kept enough on hand to survive five or six months with zero revenue — and ended up needing every red cent. Talk to an accountant or financial advisor about what might make sense for your business. She'll help you strike a balance. Cash on hand is good, but too much idled money comes at the expense of growth.

Pay down debt: Years ago, a wise person told me to structure my mortgage so that I effectively made 13 payments a year instead of 12. In the early years, I didn't see the difference. Twelve years later, I consider that person a financial genius. Wherever possible, pay extra on your business' big recurring debts. If you do it when you first take on the debt, you never notice. You quickly build up equity in the collateral, whether it's that million-dollar rig or the plot of land where you park it.

USE YOUR UMBRELLA

The inevitable happens. First, it rains for a couple days. Then days turn into weeks or months, and your revenue takes a soaking. Lower costs mean you have fewer dollars to hustle for each month during an extended downturn. A couple months' worth of cash on hand gives you peace of mind that you can still meet your obligations (because contractors, of all people, know what unpaid invoices feel like). Those extra debt payments give you a stronger foundation to weather the storm and you can always cut back to minimum payments until the sun returns.

Have you survived a prolonged business rainy season? Did you use these tactics, or did something else work for you? Tell us about it. Send an email to verducoj@bnpmedia.com.

Stay safe out there, drillers.

J. Verduco

Are You at Groundwater Week?

Here at *National Driller*, we look forward to Groundwater Week every year. If you made it to Las Vegas for the show Dec. 3-5, stop by and meet the crew at booth N463. No autographs, please.

DRILL DOWN

Fun facts about select topics in this issue of *National Driller*

45

The number of years columnist David King has served the drilling industry. This month, he writes about a drill pipe innovation (page 16).

6,500

The cost, in dollars, of a volunteer project that brought water to a Texas family. By contrast, public water hookup would have run about \$85,000. Read about the effort this month (page 18).

40

Columnist Dave Bowers says research shows habits make up about this percentage of human behavior. He talks this month about modeling good habits for trainees (page 20).

800

The number of mixed-income housing units in a featured Brooklyn, New York, development. We take a look at the foundation work this month (page 22).

10,000

Columnist Wayne Nash says he's drilled this many feet and more on some PDC bits. He talks this month about the pros and cons of polycrystalline diamond compacts (page 36).