



## “Predicting Business Downturns - Signs of Impending Trouble”

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**B**usiness owners who recognize and accept the signs of trouble and seek professional assistance in the early stages of a downturn have a higher chance of successfully recovering their company. Most business owners are entrepreneurs, so they have an innate sense of the future. This is especially true if they founded their own business.

This innate sense of the future usually gives them the skills to recognize when trouble is coming. There are external signs that can indicate problems and there are internal signs. For an example of an external indicator, we can consider the current economic downturn, or almost any downturn for that matter. These larger downturns are bellwethers to downturns within your business.

### **Unemployment Rate**

One key indicator of an overall downturn is the unemployment rate. When the unemployment rate takes a tumble, it is usually a sign that trouble is brewing in the economy and this trouble will soon trickle down to affect most businesses. Usually, the unemployment rate is a sign that things have already gotten worse.

### **Stock Market Prices**

Another indicator that might foretell economic problems, and thus problems within your business, might be the stock market. This may be more of a leading indicator than the unemployment rate because a sustained higher unemployment rate usually means that the trouble has already hit. Stock market investors are usually watching all the economic signs and they sell stocks before the problems evolve.



In any case, those are two external indicators, but there are also some internal indicators that trouble will soon be impacting your business.

### **Customers**

Every business has a natural rate of customer turnover and retention. This rate is not usually constant; rather, it is growing. This rate can be constant, but if it ever goes negative (meaning that a business is losing more customers than it is gaining), then there is surely some type of problem brewing, and this loss of customers is often a sign of these underlying problems.

So if you notice a decline in your customer acquisition rate, or with your customer retention rate, then you almost certainly can follow the trail to uncover an underlying problem. The problem may not be internal to your company. A bad economy or some other external factor will certainly lead to customers not buying products and services. But the problem may also be due to poor employee morale or something else.

In any case, this change in customer acquisition rate or customer retention rate is a clear indicator of a problem.

### **Products and Services**

When your products or services (services are actually a form of product) decline in comparison to competing products and services, you clearly have a sign that an underlying problem exists.

If the market is still consuming the same amount of this product or service, then you are likely losing customers to a competitor and this is often an indicator of an internal problem. If the market is consuming less of this product or service, the underlying problem is likely external to your business. Even if it is external, your business is still going to suffer, so you need to take whatever actions you can to prepare for an upcoming downturn.



### **The Cost of Capital**

When the cost of capital grows, there is usually a problem on the horizon. If there is something wrong with the economy, then the underlying problem would likely be external to your business. But the cost of capital can also increase for other reasons.

Since lenders evaluate every loan individually, if you have noticed recently that you are no longer getting loans at the best rates, then possibly these lenders are considering you a higher risk. Possibly your business is giving them some warning signs, and rather than an underlying problem external to your business, the problem is inside your business.

In any case, if the cost of capital is rising for your business, then you can usually follow this to a problem (internal or external to your business) and you can expect some form of downturn in the future of your business.

To learn more about predicting business downturns, order Andre's books directly from Amazon.com, or get details here:

[www.AndreLarabie.com](http://www.AndreLarabie.com)

Andre Larabie is a published writer and successful business coach. Get a free excerpt from his book on commercial debt reduction at:

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### **About The Author**

André Larabie, PhD, is distinguished for his expertise in Teaching, Coaching, Business Turnaround and Consulting, Commercial Debt Resolution, Consumer Debt Collection, Mediation and Arbitration. He has owned and operated 2 collection agencies, a Factoring Organization, and a Business/Management Consulting Practice in both the USA and Canada.



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ARTICLES

## **“Negotiating With Collection Agencies”**

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Dr. Larabie has authored many college-level publications in Canada, including the following Doctorate Dissertations: “Starting a Factoring/Financing Company,” “The Opening of a Business College,” and “The Psychological Ramifications of Online Education.”