

THE PILLARS

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ECONOMICS IN BLACK NEW MEXICO

A MENTOR'S PERSPECTIVE ON WHY BUSINESSES FAIL

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Unfortunately, too many businesses that start up fail – 25% in the first two years, after three 38% are gone, and 50% do not make it to 5 years. Now, while the reasons for failure are varied and diverse, there are a couple of reason that tend to appear the most.

First, while owners tend to focus on profits, and that is not a bad thing; however, owners do not understand what the impact of their costs really have on their bottom line (profits).

The biggest reason that most small business fail within the first 5 years is that they do not control costs. They tend to look in the cash register each day and if there is money in there, they believe they are successful and profitable.





They forget that profitability comes over time – that is to say that “I may have \$1,000 in the cash register today so I am good” while forgetting they have three bills (invoices) due tomorrow that total \$2,000. My Granddad used to call this knowing and understanding the “gazintas and gazotas” (what goes into the business [revenue] and what goes out of the business [costs]).

Controlling costs is critical to business success. For example, you sell your product for \$10.00 each. The cost to make the product (supplies, labor, et cetera) is \$7.00.

As time passes, your labor costs go up due to taxes and benefits costs. And your suppliers raise their prices because they say their costs have gone up. As a result, your cost to produce the product is now \$9.00 each.

Where you used to make three dollars “profit” per sale, you now make \$1.00. What do you do? Raise your sales price to \$12.00 per item? What if your competitors are selling theirs for \$10.50? Buyers are savvy folks – they tend to shop around for the same product or service at the best price. So, what do you really need to do?

How do I find Black-owned businesses to support?

It is not difficult at all. Check out The African American Greater Albuquerque Chamber of Commerce (AAGACC) Facebook page for a list of Black business. This list is updated each “Friday” to encourage the NM Community to shop at a Black Owned business at least once per week.

- AAGACC - Support Black Owned Business List
- NM Black Owned Business List – A directory of Black-owned businesses around the State.
- Edible New Mexico – Black Owned eateries in New Mexico
- Instagram: Useful for finding smaller, independent Black-owned shops to support.

Hashtags to Support Black Businesses:

#SupportBlackBusiness,
#SupportBlackArt,
#ShareBlackStories



What you need to do is to track your costs monthly for each cost line item and analyze the changes over time. See if there is a price increase and talk to your suppliers to find out why the increase. It is your business as your supplier's business is his business. You do not like losing customers and neither does s/he. You should negotiate a better price – that means that you may have to pay a little more per unit as opposed to a lot more, and your supplier makes a little more but not the original increase. This ends to be a “win-win” for both. In negotiations, both parties must be satisfied with the result or it is not a good deal. If the owner cannot reach a desired level of agreement for both parties, then the solution may be that you need to get bids for a better price. It is always wise to keep information on those companies who supply the goods or services you need for your business

.One of the biggest cost drivers in any business is employee costs, and not just the wages or salaries. Social security is one of those. However, this is one cost the business owner cannot control, unless the owner can put folks on as a 1099 (“consultant”) which can reduce costs.

Another one of the cost drives for employees are their benefits packages. These benefits include items like medical coverage, dental and vision coverage, short- and long-term disability, education costs, et cetera. Owners must review these costs each month and at the end of each year take a hard look at them. It may be time to look for another insurance company that specializes in insurance for businesses, especially for small businesses. One needs to shop around to get the best rates to help keep costs down and the profit line healthy.

The second failure worth noting is marketing. We are a Nation of “fickle folks” - our tastes and needs change all the time. That is why car ads, soft drink ads, and everything that is advertised is always changing from year to year while the products remain basically the same. A car may have new lines or a new feature, but it is still a car to get you from one place to another. A soft drink is basically the same product from year to year but the directed audience changes.



A business owner must understand the customers need, after all, if your product or service does not help solve customers' problems or make their life better, you do not have a business. You must show the specific benefit(s) to potential buyers of what your product or services does for them. Again, we are all fickle – what we liked last year, we may not like this year, and we tend to only buy what benefits us.

There is another aspect of marketing that tends to be overlooked. Business owners need to be aware and watch what is going on in their business sector and make changes to their marketing approach. One of the easiest ways to do this is to watch and learn from your competitors and do what they do that is successful (obviously tailoring it to your business). Sometimes you need to visit your competition as a customer and learn first-hand what they are doing. Look at their web site and learn how and to whom they are marketing. Compare their prices, quality, service, and such to yours and make whatever changes are necessary. And by the way, your competition is watching you and visiting you.

