Small business owners need to be alert for signs of change

By BARRY FLYNN
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After more than a decade in the sign-making business, George Hernando started seeing a different kind of sign a few years ago — and it was a warning sign that something was changing.

After hitting a peak of $1.2 million in 1998, sales at his company went into a nosedive, down about 25 percent in just two years. By 1999, after three years of growth, his once-a-year company had shrunk to less than $20,000. He and his wife, Leo, started A&A Big City Graphics in Odessa in 1997.

"They could be had for $3,000 by 1998. Now, you can buy them for $1,500. You can buy one, go into your garage and turn out a sign cheaper than I can," Hernando said.

It was a classic case of the competitive marketplace changing before a business owner’s eyes.

What to do? The short answer: Be flexible.

Hernando, 94, had to look at his business anew to see what he would have to walk away from and where he might find growth potential. In some ways, it was just the start of a new company. Hernando’s old business, based on advertising, was dead and he had to find a way to make money.

Instead of relying on the big-name customers, Hernando found new equipment that would deliver a better version of old signs as well as extend into new product lines.

James Cousins, a finaver at A.A. Big City Graphics, kills a banner.

"Cheaper equipment has transformed the sign business. The cost — about $500,000 — was a substantial barrier to entry, for Hernando as well as would-be competitors.

"But he did what he decided to do: He streamlined and lowered the cost of buying the equipment to below $2 million, to about $1 million. He also bought a new printer that could produce signs at a lower cost, which he then offered to clients.

"There were still customers who were willing to pay more for the new signs, but the business was no longer profitable.

"Instead, that kind of equipment should be the first step. After all, the greatest product in the world is going to be nowhere without a receptive consumer base.

"The same is true for cashing in on new market trends because if you miss on a product market, you will miss the opportunity to cash in on the trend.

"A recent book on testing a business idea’s viability, "Is It Flying?" (Fortune Times Press), $24.95, puts it this way: "To get a list of items for a new business, ask yourself: Who’s your competitor? A new stall on the block or a new consequence of a change in the market?"