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Strategies for Success: Small Business CEOs Strategize Amidst Job Deficits and Pricing Pressures

January 7, 2024

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The Imperatives for Small Business CEOs in a Rapidly Changing Environment

In the aftermath of the unprecedented disruptions of 2020 and early 2021, businesses faced many operational challenges as they navigated the exit from the COVID-19 pandemic. As we enter 2024, the current environment is marked by a swift but uneven recovery, with US GDP for 2023 expected to reach 2.6% and Puerto Rico's GDP expected to surpass 1.6% GDP; also, historically low unemployment in the U.S. is at 3.70% and in Puerto Rico 5.70% allowing for improved conditions through the economy. However, there is a scenario that both economies face deficits between total job openings versus those seeking employment; in the U.S., there are, as of January 5, 2024, 8.79 million Job Openings and Only 4.976 Job Seekers, a total deficit of 76.64%. No such data exists in Puerto Rico, but seeing ads everywhere shows a similar trend, and there are 1,159,000 million in the workforce, the largest in more than 25 years. Finding workers remains challenging as 9 of 10 businesses trying to hire report few or no qualified applicants for the positions they were trying to fill. Some of the ones they hire either do not show up for work or leave after working a week or less.

Most business owners remain pessimistic about future business conditions, contributing to their low optimism regarding the economy. Sales growth among small businesses has slowed, and the bottom line is being squeezed, leaving owners few options beyond raising selling prices for financial relief.

Critical Trends for Small Business

In that respect, short-term pressures and opportunities for long-term growth and innovation exist. Most Small Business retailers say that 76% said they did not experience an increase in holiday sales this season, and 55% say their profit margins are down this year, a complicated sign during a make-or-break shopping season.

On the other hand, the National Retail Federation forecasted sales in November and December to rise by 3% to 4% year over year, translating to \$957.3 billion and \$966.6 billion in spending during the shopping season. The forecast excludes spending at automobile dealers, gasoline stations, and restaurants, so it includes only the retailers.

Meanwhile, the latest inflation data using the Federal Reserve preferred benchmark shows that the PCE fell to 2.94%. The latest Inflation Nowcasting for the CPI, due out on January 11, 2024, has the CPI at 3.32% and the Core CPI at 3.93%, clearly showing inflation slowing.

Goldman Sachs/Babson College 10,000 Small Businesses Report

To dig deeper into this issue, we review a new survey of small business owners from the most recent Goldman Sachs/Babson College 10,000 Small Businesses Report; the following issues are impacting most Small Businesses:

- **82%** of small business owners said they have been forced to raise prices in the past year.
- Most Small Business retailers make **75%** of their sales during the holiday season.
- **70%** of small business owners said the economy and financial outlook negatively impacted their household's purchasing power and personal spending plans.
- **66%** said they find it challenging to absorb inflationary pressures and keep prices low.
- **32%** were unable to compete with discounts offered by larger companies.
- **31%** say more of their clients were shopping online.
- **23%** of owners reported inflation was their single most crucial problem in operating their business.

Thus, adapting swiftly and executing efficiently is becoming crucial for companies aiming to thrive in this complex and uncertain landscape.

Small businesses are vital to the American economy. Over the past 30 years, through recessions and a pandemic, small businesses have been resilient and have pivoted to face a diverse set of challenges.

The Top 8 Small Business Issues for 2024

- **Access to Capital:** Accessing financial capital is one of the most prominent barriers entrepreneurs face in starting and expanding their businesses. Small businesses often struggle to secure funding for startup costs, expansion, or day-to-day operations. With higher rates, the qualification parameters become even more daunting. Due to insufficient capital, 20% of small businesses fail within their first two years. The Federal Reserve's Small Business Credit Survey found that 70% of small businesses faced financial challenges in 2023, with access to capital being a significant concern.
- **Talent Acquisition and Retention:** Attracting and retaining skilled employees is a significant concern, particularly in industries facing labor shortages. The National Federation of Independent Business (NFIB) found that 26% of small business owners reported finding qualified workers as their most significant problem. The Job Openings and Labor Turnover Survey (JOLTS) U.S. Bureau of Labor Statistics reported 8.79 million Job Openings and Only 4.976 Job Seekers, a total deficit of 76.64%.
- **Technology Adoption:** Keeping up with technological advancements is crucial for staying competitive, but small businesses may find investing in and implementing new technologies challenging. A Deloitte survey found that 82% of small businesses believe adopting new technologies is essential for competitiveness.
- **Healthcare Costs:** The rising costs of healthcare can burden small businesses, impacting employers and employees. The National Small Business Association reports that 91% of small business owners believe the cost of health insurance is a significant challenge.
- **Tax Compliance:** Understanding and adhering to tax regulations is complex and time-consuming for small businesses, necessitating financial expertise. The National Small Business Association found that small businesses spend an average of 40 hours per year dealing with federal taxes.

- **Economic Uncertainty:** Economic fluctuations and uncertainties can significantly impact small businesses, affecting consumer spending and overall market conditions. The NFIB Small Business Optimism Index decreased to 90.6. This is the 23rd consecutive month below the 50-year average of 98. The last time the Index was at or above the average was in December 2021.
- **Cybersecurity:** With the increasing reliance on digital technologies, small businesses are vulnerable to cyber threats, and many lack the resources to implement robust cybersecurity measures.
- **Adapting to Change:** Small businesses must be agile and adaptable to changing market trends, consumer preferences, and economic conditions.

The Last Word: Small Business CEO's The Backbone of the Puerto Rico Economy

In the heart of Puerto Rico's economic landscape, the small business CEOs weave the intricate fabric of resilience, innovation, and community vitality. At the helm of enterprises ranging from local retail to service industries, these leaders hold a special place in the economic narrative, embodying the essence of Puerto Rico's economic backbone.

For CEOs and business leaders, staying informed about these challenges is crucial. Addressing these imperatives will ensure survival and position companies for growth and success in the ever-evolving business landscape 2024.

2024 beckons small businesses to chart a course marked by resilience, innovation, and strategic foresight. By facing challenges head-on and capitalizing on opportunities, small businesses can weather the current economic landscape and position themselves for sustained success. As we embark on this journey into 2024, let the spirit of adaptability and forward-thinking guide small businesses toward a future defined by growth and prosperity.

As the sun rises over the island, small business CEOs emerge as powerful catalysts for job creation. Their diverse and dynamic ventures provide a spectrum of employment opportunities, reducing unemployment rates and fostering economic stability. These businesses aren't merely profit centers; they're embedded in the neighborhoods they serve, creating a sense of community beyond transactions.

In every corner of Puerto Rico, small business CEOs engage with their communities on a personal level. Their enterprises become more than just places of commerce; they're cultural hubs and cornerstones of local identity. The connections forged between small business leaders and their customers foster loyalty and sustain economic activity, creating a resilient network that weathers the storms of economic uncertainty.

There is no need to be embarrassed by our failures; we must learn from them and start again, as there is only one place where success comes before work: the dictionary.



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