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## Basics for Seasonal Business Owners

**You may depend on a sliver of the year for the bulk of your business. Here's how to maximize the rest of it**

by [Amy Barrett](#)

The Stewart family was scrambling. Last May, Jeff Stewart and his wife, Mary, owners of Back Harbor Marine, bought a second boat for their \$600,000 company, which runs dolphin- and whale-watching excursions out of Cape May, N.J. They expected to get it in the water by August, and booked enough trips for two boats in early September. But the *Spirit of Cape May* needed a lot more work than they'd realized. Canceling some of those group trips would have meant losing about \$50,000 in sales—not a good option for a company that earns half its annual revenues between Memorial Day and Labor Day. So the four-person company ran three trips a day in September on its one boat, rather than the usual two. "It was tiring," Stewart says. "But when you see an opportunity, you gotta do it."

No entrepreneur can afford to let business slip away. And that's even more important for seasonal business owners. Whether you are running an inn in a tourist town where vacationers disappear several months a year, operating a quarry with a brief mining season, or distributing produce that is harvested during just a few months, extensive planning and execution are crucial to protecting your cash flow. "A seasonal business is infinitely more difficult to manage than most other businesses," says Les Charm, who teaches entrepreneurial finance as an adjunct professor at Babson College. "You have short time periods to make very critical decisions."

Seasonal-business owners need to master five key areas—ones that also are important to any business with ups and downs. Use the off-season to strategize, develop marketing plans, and lay the foundation for when things get crazy. You also need to be a pro at hiring new workers each season. When possible, you'll want to find revenue streams to make the off-season as lucrative as possible. And of course, you'll need to create a cash cushion for unexpected events during the off-season, when revenues are scarce, as well as stockpile to fund the start of the busy period, when expenses spike. Finally, you'll need to be hypervigilant when business picks up, tracking sales closely—in some cases hourly—in order to make adjustments quickly.

### OFF-SEASON UPKEEP

No matter how little money is coming in, the off-season isn't all about golfing and fishing. It's when you'll need to do long-range planning. First on the list should be preparing for the next busy season, including nailing down product offerings and schedules and doing maintenance work. To line up as much business as possible in advance, marketing should remain in high gear.

John Swanson, owner of All Aboard Yacht Charters in Union, Wash., a \$300,000 company with four employees, spends the off-season from mid-September through April doing about 1,000 hours of maintenance on his boat. He also fields plenty of phone calls from potential customers and takes reservations for his weeklong cruises to Alaska. Paperwork reigns supreme: Swanson files environmental impact studies with the U.S. Forest Service, and because some of his destinations, such as Pack Creek in Alaska, limit the number of visitors, he lines up permits in advance. There's no time for any of this once he starts taking cruises out. "From May to September, I am on the boat 24 hours a day," Swanson says. "You can't access the Internet, there's limited phone service. There's no turning back."

When your business ebbs and flows, so does your workforce. "The No.1 challenge of a seasonal business is having a good core labor force you can rely on," says Colon Grandy, owner of Grandy Farm Market, a \$1.5 million, 4,000-square-foot open-air fruit and produce store in Grandy, N.C., that employs 30 people during the peak summer months.

Identify those workers you simply can't afford to let go. These are critical employees who would either be impossible to replace or have received so much training that you risk hurting your revenues if new hires can't get up to speed fast enough. It's wise either to help those employees find a job for the off-season or to keep them on the payroll all year.

Jennifer Duffy and her husband, Mitchell, own the \$500,000 Vermont Inn in Killington. The cyclical nature of their business would make most managers' heads spin: They are busy for foliage season in the fall, ski season in the winter, and for a bit of the summer, with much slower business in between. That means their staffing needs fluctuate all year, from 14 employees at the peak to just three when it's most quiet.

Although the inn's restaurant is closed for one month in the spring and a good part of November, Duffy keeps its chef, Stephen Hatch, on year-round. "It's not easy to find a good chef, someone who has made a name for himself," says Duffy. Plus, Hatch has been there for 21 years, and "everyone associates him with the inn."

Less crucial positions must be filled anew each year. Once things slow down, businesses owners should get in touch with employees from the recent busy season to see who plans to come back, then keep in touch with the undecideds while they make up their minds. It's also worth asking employees for the names of friends who might be interested.

If you need to hire other new workers, start locally. It's relatively easy to line up students in advance, because they have a fixed time at which they become available. Post jobs with local community colleges and high school guidance counselors two to three months in advance. Some culinary schools will connect you with students who can count time working in a restaurant toward school credits, for example. For summer employees, try contacting resorts that slow in the hot summer months—in Florida or ski country—to see if they can refer candidates. As the season gets closer, Duffy runs ads in the local paper. She has found that advertising too far in advance is a waste, because most applicants need jobs immediately.

Hiring foreign workers means you'll likely find yourself in the land of the J-1 or H-2B visa. J-1s are commonly used by students who come to work for up to four months. Those who can show they need job training in their chosen field may be able to get a J-1 that allows them to stay for up to 18 months. The H-2Bs usually allow a maximum stay of 10 months and are often used in industries such as landscaping, mining, or seafood processing.

The easiest way to find H-2B workers is through agencies that specialize in that area. Fair warning: The H-2B process is long, complicated, and expensive. And a federal cap on the number of H-2Bs is making it even more difficult.

## **DISCOUNT DANGERS**

While the off-season may never be a big moneymaker, there's no reason to write it off entirely. You may need to keep the business going, if only so that you can retain key employees. And because expenses tend to spike at the start of the busy season, it's risky to go into the rush with empty coffers.

There are two main ways to bolster revenue in the off-season. One is to diversify, either geographically or in the services you offer—the way landscapers become snow removal companies during the winter, for instance. The other tactic is to cut prices in the low season to attract customers who might be willing to put up with some inconvenience to save money.

Beth Vasquez started trying to bulk up her off-season sales about four years ago. Her Lyons (Colo.) quarry, O&A Stone, sells to yards that then sell the stone to consumers and landscapers. It brings in about 60% of its \$1 million in sales during its May through August peak. During that time she employs about 40 people, who stay on until the season ends with the arrival of heavy snow, generally in November. She looks for customers in California and Texas, which are warm in the winter but close enough that shipping costs aren't unreasonable. In that first year she sent information packets to 75 companies and got orders from about 10 of them. Now Vasquez says sales in that formerly dark period run about \$10,000 a month. It may not sound like a lot, but over time it has yielded enough for her to purchase a \$100,000 stone cutter at a deep discount in February, 2006. "Equipment tends to be more affordable in the winter months," says Vasquez.

The other strategy—cutting prices—is riskier. "Discounting can be effective," says Bill Carroll, senior lecturer at the Cornell University School of Hotel Administration. "But you have to make sure you don't damage the perceived value of your product." It's important to do a thorough analysis of how lowering prices will affect your bottom line. Your objective may simply be to offset your slack-season expenses, enabling you to break even and keep your key employees on payroll all year.

After careful consideration, Eric Fenmore, owner of Front Porch Creations, decided he could afford to cut prices 10% during the off-season, if it meant he wouldn't lose about 20 of his core employees—trained craftsmen who build barbeques, patios, and outdoor fireplaces. Even though Fenmore is located in Corona Del Mar, Calif., his \$3 million

business still slows during the cooler, wetter winter months. During that time, he figures, he needs to make about \$50,000 a month in gross profits. To bring in work, he sends e-mail blasts out to acquaintances and friends, letting them know discounts are available for work done in the next month. "I just want to cover my overhead and keep my employees working, since they are my most important asset," says Fenmore. He says it has not put pressure on his peak-season business, because people understand he has a slow period.

## WHERE CREDIT'S DUE

A seasonal company's erratic cash flow can be a terrible headache. The business needs to have sufficient money to get through the slow season and still have enough on hand when business picks up to fund it properly. After all, the only thing worse than a slump in sales is a cash crunch that limits your ability to make the most of booming demand.

So after the busy season ends, sit down and do a projection for the rest of the year. Set aside cash for capital improvements, ongoing operating expenses, and startup costs for the next season. That last figure depends on how quickly the business ramps up, how long it takes to collect from customers, and how quickly you need to pay expenses such as salaries. If you take out too much cash for your own compensation, says David Rothenbuehler, senior vice-president at Pacific Mercantile Bank ([PMBC](#)) in Costa Mesa, Calif., "you may run into massive problems when the season kicks off."

A bank line of credit is also a good idea. Typically, it should cover one or two months' worth of peak expenses. Maria Coyne, executive vice-president at Cleveland's KeyBank, says seasonal businesses trying to get a line of credit need to show their banker detailed records of how cash flow fluctuates during the year. "It shows the banker you know exactly where the peaks and valleys are and what your cash needs are," Coyne says.

J. Allen Carnes, president and co-owner of Winter Garden Produce, a \$10 million harvester and packager of broccoli, cabbage, and onions, needs about \$300,000 to cover labor and other expenses when the season kicks off in October. Carnes' company has 10 year-round employees. But every October, he brings about 80 contract laborers on board his Uvalde (Tex.) operation. By the time the May and June crunch hits and Winter Garden is harvesting and packaging onions, Carnes has about 400 contractors working for him. Those two months account for about half of his sales and the bulk of his profits, so there's not much margin for error. Carnes makes certain that he has a cash cushion each summer, as well as funds for capital improvements, before paying bonuses to his salespeople. And Carnes maintains a \$500,000 line of credit, which he has dipped into during 7 of the past 10 years. "We generally have tapped into it in April, when our expenses are far above what they run the rest of the year," Carnes says.

## COUNTING HEADS

When the peak season hits, execution is everything. It's important to track how the business is doing on a weekly, daily, or even hourly basis compared with the same period for the previous year. That allows for crucial changes, such as hiring more staff if demand is exceeding expectations or running specials or discounts if business is down.

At Back Harbor Marine, Jeffrey Stewart Jr., who is manager and captain, tracks passenger counts weekly. Last June he and his father saw those numbers weren't keeping up with the prior year. They moved quickly, distributing about 20,000 brochures to hotels, motels, and campgrounds from Atlantic City to Cape May. Once they got the word out, things picked up. "It's a short season," the younger Stewart says. "You have to make it when you can."

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