

Time is Running Out to Save 20 Million American Businesses

NEWPORT BEACH, CALIFORNIA, UNITED STATES, July 13, 2020 /EINPresswire.com/ -- Americans confuse business ownership with independent wealth. This is why Americans and their political leaders are doing nothing while perhaps 20 million small businesses suffocate from mounting, monthly losses caused by the coronavirus lockdowns. We are running out of time to bail out these companies and save the US economy from perhaps a decade-long recession.

The assumption in Washington and among the media is that as soon as we open up, businesses will crank up production and the economy will get back on track. This is called the 'V shaped recovery.' A V-shaped recovery not going to happen because so many businesses won't reopen and many more lack the capital to get back to full production. But, even worse, recovery depends upon businesses magically adjusting to social distancing, capped capacity and other limits profitably.

Instead, we are going to lose huge numbers of businesses of all sizes. Those businesses that survive will be so weakened and capital-starved that they will take years to rebuild and this will cause the US economy to remain in recession for years after the lockdowns end. This, in turn, will cause systemically high unemployment, depressed housing prices and reduced household consumption causing widespread pain and furthering the economic downturn.

American businesses average just 7% profit margins during a normal year. This makes them modestly profitable during good times and most are undercapitalized with little savings or access to loans.

For many of these businesses, the direct impact of the lockdowns, social distancing requirements along with indirect business slowdowns have reduced revenues by 75-80% or more. But at just 7% average profits, even small revenue dips lead to losses because of fixed costs.



Charles Laverty

The lockdowns have trapped these companies into paying full price for most operating expenses but trying to cover that with dramatically lower, or even no revenue. Typically, more business costs are fixed than are variable. Sure, they are also using fewer of some supplies. Many businesses have reduced labor costs and have cut hourly workers time or furloughed employees of course. But many cannot or are reluctant to do that. Many businesses that have high variable labor costs are also in lower profit business segments.

Between contracts, costs associated with cutting staff, losses from spoiled inventory and fixed costs firms are seeing costs barely change even as revenues drip dramatically. Utilities, taxes, rent and supplies have largely remained unchanged. The lease on the copy machine still has to get paid, even if you are using less paper and toner. Small business owners who have delayed paying rent or suppliers will have to catch up, if they ever can.

“

Millions of small firms are mortally wounded and need life support and major surgery to save them. Voters must demand that leaders save their employers, or they will not have jobs to go back to.”

Charles Laverty, Nuzuna CEO

Most people grossly overestimate how much the owner of their local small business earns. [This article lays out the problem](#). The average US business is making a profit margin of about 7%. 80% of all small businesses do not even have employees and earn barely \$44k a year. According to the article only 6% of companies grow to \$1 million in revenue and the average profits on those rare firms are only \$70,000. In the US, 60 million people work for businesses with fewer than 500 employees. That is a number equal to more than half of all American voters.

Contrary to popular belief, most business owners are never going to get rich from their company. In fact, getting mega rich from starting a business is nearly as unlikely as getting rich from playing sports or buying lottery tickets.

So, it is a myth that business owners will suffer along with everyone else but will have the



Nuzuna Fitness

resources to restart their businesses and get back to full capacity quickly. It isn't just bartenders and waiters suffering; the restaurant owner is sliding deeper into debt and many will never climb out.

Being an entrepreneur can be one of the most fulfilling jobs around. It remains one of the great joys of my life. You get to build businesses and address problems in new, innovative ways and you get to work with great people. Millions of small firms are mortally wounded and need life support and major surgery to save them. Congress is considering sending billions more to help households because there is an election coming. But these same voters need to demand that their leaders also save their employers, or they will not have jobs to go back to.

Government is looking out for themselves of course. All government workers: city state, municipal and federal workers are getting paid. But tens of millions of small businesses are not, and they are the backbone of the economy who provide most of the jobs in the US economy.

We need to open back up. We can do it safely and I talked about the importance of masks in that. But the most immediate need is for the largest bailout in American history targeting American businesses. This should be tied to company revenues but capped so that the minority of exceptionally large, capital rich companies don't receive it.

Gwen Nguyen
Nuzuna Fitness
+19494324828
[email us here](#)

This press release can be viewed online at: <https://www.einpresswire.com/article/521590793>

EIN Presswire's priority is source transparency. We do not allow opaque clients, and our editors try to be careful about weeding out false and misleading content. As a user, if you see something we have missed, please do bring it to our attention. Your help is welcome. EIN Presswire, Everyone's Internet News Presswire™, tries to define some of the boundaries that are reasonable in today's world. Please see our Editorial Guidelines for more information.

© 1995-2020 IPD Group, Inc. All Right Reserved.