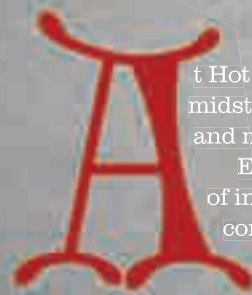


Accounting for the Holidays

By Troy Anderson



At Hot Shot Delivery, President Eric Donaldson is in the midst of the busiest time of year for his same-day courier and messenger delivery service.

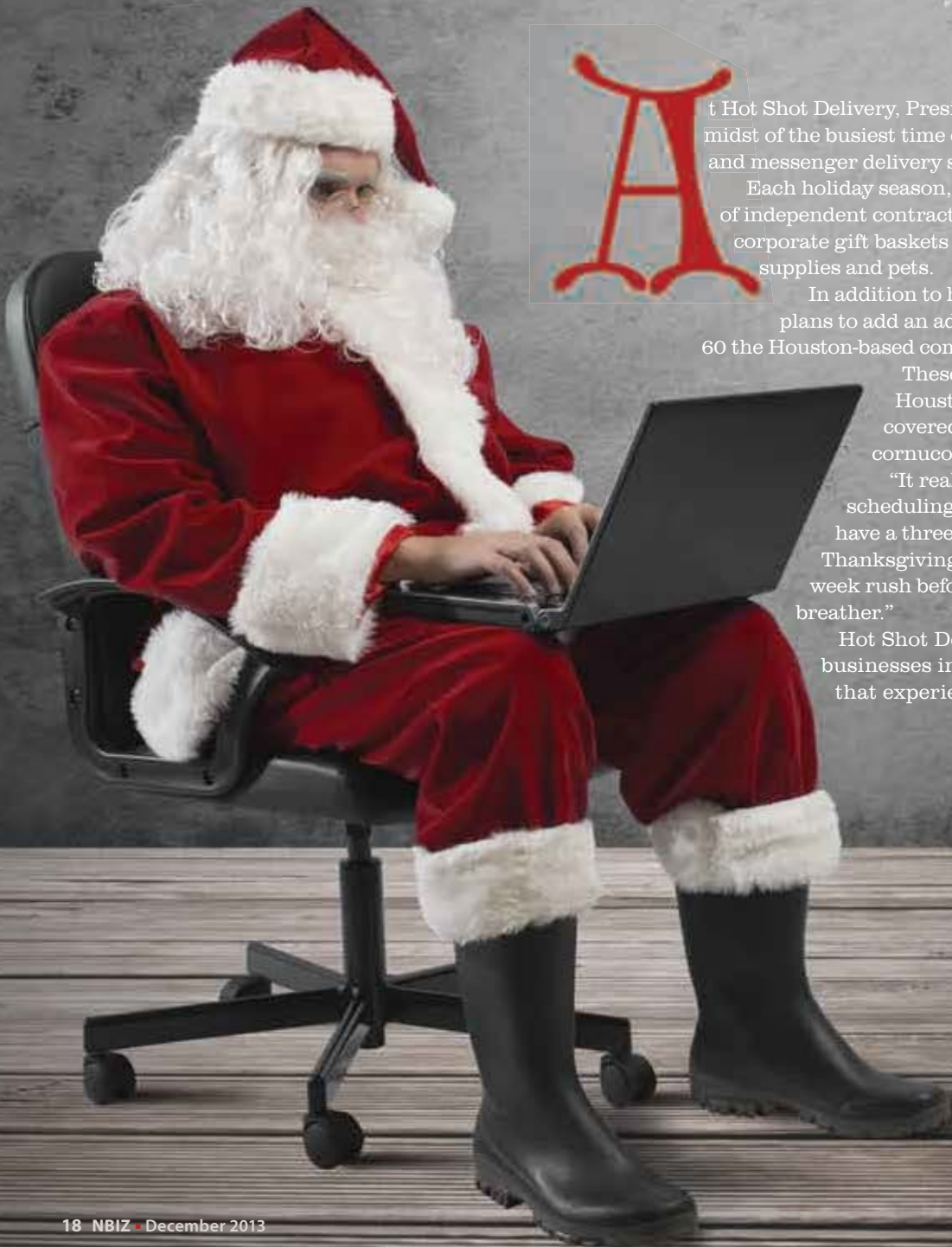
Each holiday season, Donaldson beefs up his staff of independent contractors to deliver everything from corporate gift baskets and Christmas gifts to medical supplies and pets.

In addition to his 14-member staff, Donaldson plans to add an additional 20 drivers to the nearly 60 the Houston-based company already contracts with.

These drivers fan out all over the Houston area on bicycles, as well as in covered pickups and vans, delivering a cornucopia of items to clients.

"It really comes down to staffing and scheduling," Donaldson says. "For us, we have a three-week rush in November before Thanksgiving, a breather, and then a three-week rush before Christmas, and then another breather."

Hot Shot Delivery is just one of numerous businesses in the Houston and Dallas areas that experience significant increases in



business and revenues during the holiday season requiring changes in staffing, preparation, and planning to ensure that their companies run smoothly.

Robust Holiday Sales Projected

This year, the National Retail Federation expects sales in November and December to increase nearly 4 percent to \$602.1 billion, outpacing 2012's 3.5 percent holiday-season sales growth. The forecast is higher than the 10-year average holiday sales growth of 3.3 percent.

"This should be an up year over last year," said Ken Jones, director of the Wolff Center for Entrepreneurship at the Bauer College of Business at the University of Houston. "I believe everyone's perspective is somewhat better. Being in Houston, obviously things are somewhat better here. We're booming, so I think it's going to be a fantastic holiday season in Texas."

Indeed, the authors of the Greater Houston Partnership's newsletter, *The Economy at a Glance*, wrote that all but a few indicators suggest that 2013 will be among the best years on record for the Houston area.

"Home sales, auto sales, residential construction, commercial leasing, and airport traffic are at or nearing record levels," the authors wrote. "If Houston can maintain the momentum, 2014 will prove to be a stellar year as well."

Nationwide, import volume at the nation's major retail container ports, including the Port of Houston, is expected to grow 9.1 percent over the last year, according to the monthly Global Port Tracker report released by the National Retail Federation and Hackett Associates.

"With the holidays nearly here, retailers are making sure their shelves are well-stocked," NRF Vice President for Supply Chain and Customs Policy Jonathan Gold said.

August, September, and October are the months when most of the holiday season's merchandise is brought into the country. The 4.42 million cargo containers expected for those months combined is a 5.9 percent increase over last year and accounts for 25.6 percent of all retail imports for the entire year.

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John Fowler, a professor of management at the University of Texas at Dallas, says businesses in the Dallas-Fort Worth area also expect to see a healthy boost in their bottom lines this holiday season.

"We're a bit of an anomaly here because the economy is really strong," Fowler says. "We have a tremendous amount of construction going on and large companies moving into the area."

Typically during this time of year, many retailers experience a large spike in business. Many companies earn a greater proportion of their revenues during the Thanksgiving and Christmas holidays than at any other time of the year.

"The amount of business, particularly that big box retailers do, is absolutely incredible this time of year in comparison to what they have done the rest of the year," Fowler says. "You

see in September and October that some retailers are doing as much business as they did in the first six months of the year.

“By November, some are doing almost as much business [in one month] as they did during the first nine months of the year. Thanksgiving and Christmas are their opportunities to make their numbers for the year. The holidays become a very, very crucial time for them.”

To make the most of the holiday season, business experts offered *NBIZ Magazine* a number of suggestions in terms of hiring, vacations, management needs, finances, taxes, and preparations for the next year.

Hiring

Wondering if you should hire extra workers during the holidays? Jim Wilkinson, president of The Strategic CFO, a Houston-based CFO services

You want to borrow money in bad times and grow your business when competitors are suffering. When good times come, you want to pay down your debts. You are being counter-cyclical to the general economy. It doesn't mean you don't grow, but it also means you don't get overextended.

firm providing part-time CFO services to entrepreneurial companies, recommends that business leaders exhibit caution about “being too aggressive in hiring.”

“Trees don't grow to the sky,” Wilkinson says. “As we continue to enjoy a strong stock market, a lot of clients are paying down their debts to become more liquid in anticipation of the next recession. While it seems backward

to think we'll have another recession, eventually we'll have a downturn in the economy—even in Houston.”

That recession could be another two years to five years in developing, or even further away, Wilkinson says. Nevertheless, just because the economy is doing well, that does not make it the time to get “overly aggressive,” Wilkinson says.

“You want to play defense as well as offense. A lot of clients, when the economy is good, play offense, and when the economy turns, they have to pay off debts with reduced earnings.

“You want to borrow money in bad times and grow your business when competitors are suffering. When good times come, you want to pay down your debts. You are being counter-cyclical to the general economy. It doesn't mean you don't grow, but it also means you don't get overextended.”

In the Austin area, Robert Mayfield, the owner of five Dairy Queens and a Wally's Burger Express, says he doesn't plan to hire more people this holiday season, although some may “get some more hours.”

In contrast to many businesses, Mayfield says, Christmas Day is the busiest day of the year at two of his restaurants.

“We have two stores open on Christmas Day,” Mayfield says. “We take volunteers that day and pay time and a half, because it's our busiest day of the year—no one else is open, and people are out traveling. We have customers lined up at the door. We feel we're doing a service to travelers on Christmas Day.”



It's during the holiday season, Mayfield says, that business owners have the biggest opportunity to do things to boost morale and keep their employees happy.

"Everything we do is based on our employees," Mayfield says. "We think we've got a pretty good company to work for. We have low turnover. We have a company Christmas party every year: we close the stores early that day and go to the Main Event for bowling and video games. We have a conference room there and give out the awards of the year and show some videos of people who have done good things."

Black Friday Impacted by Online Shopping

As people gear up for their Christmas shopping, Jones says, it's a good time for business owners, especially those with retail stores, to take a close look at changing trends in shopping—especially the rapidly increasing number of people shopping online and the diffusion of Black Friday's impact.

"It used to be that everyone tried to cram their holiday purchases into that Friday after Thanksgiving," Jones says. "There have been some reports that Black Friday isn't as intense as it once was—that more people are doing their shopping online. So now there is an ability to spread it out, especially with so much web-based ordering."

Jones notes that as more consumers get used to and trust online shopping, businesses need to ensure that their e-commerce sites are ready and that their employees are well-attuned to the nuances of the changing shopping patterns—such as people requesting that bricks-and-mortar stores match online prices.

"Technically, [retail web sites] should have stress tests to ensure their sites won't go down," Jones says. "They also need to have drills to ensure that they can handle the volume and that they have a streamlined shipping process so people can get their products on time."

Conduct Pre-Employment Assessments

John Caspole, president of The Assessment Specialists, Inc., a Carlsbad, California-based company that "takes the guesswork out of hiring," says the holidays are also a good time to conduct pre-employment assessments in preparation for hiring workers in early 2014.

"One thing employers can do to stack the deck in their favor of having a successful employee who does a good job and performs well over a period of time is enhancing the amount of knowledge you get during the recruiting and interviewing process," Caspole says.



For some businesses, things slow down during the holidays—especially around Thanksgiving and the week between Christmas Day and New Year’s Day. This is why the holidays are also a good time to do tax planning.

A good pre-employment assessment helps hiring executives gauge how good a fit an employee will be at a company. Such a tool will allow employers to hire the right boss, keeping in mind that people rarely quit companies, instead quitting because of a bad boss.

“Are they smart enough to [do the job]? Will they be motivated enough to do it? Will they do it the way top performers behave? Putting the right person in the right job will drive the top- and bottom-line results exponentially further than gut-feel hiring will,” Caspole says.

“Statistics tell us that top producers out-produce average producers by a ratio of two to one. Statistics also tell us that managers spend twice as much time with their underachievers as they do with their overachievers.”

Tax Planning

For some businesses, things slow down during the holidays—especially around Thanksgiving and the week between Christmas Day and New Year’s Day. This is why the holidays are also a good time to do tax planning.

“By December 31, your taxes are set,” Wilkinson says. “If you are going to do anything, you need to do it (between now and then). We are projecting out tax liabilities between now and year end, and if anything needs to be done, we are advising clients to do it now. By April 15, it’s too late to do anything about your taxes.

“For example, you may want to give out bonuses. You can bonus out profits. Depending on your situation, you may need to invest in an asset to incur some Section 179 accelerated depreciation.

Another thing you may want to do is to write off obsolete inventory that you have on your books. There are a number of strategies.”

Prepare for the Affordable Care Act

Meanwhile, many companies are busy preparing for the implementation of the Affordable Care Act. The October 1 rollout of the controversial new healthcare law known as Obamacare has been plagued by glitches in the federal online insurance website, HealthCare.gov, igniting a nationwide uproar among many whose current health plans are being cancelled.

Mike McLaughlin, president of Core Benefits, a Houston-based insurance broker focused on employee benefits, says the largest component of Obamacare kicks in on January 1.

“This last quarter is the busiest the agency has experienced,” McLaughlin says. “Nearly all of our energy is focused on helping each of our clients navigate the ACA.”

These efforts include discussions on altering plans to comply with Obamacare, adding employees onto health plans, changing employees’ eligibility status, strategies on how to reduce their employees’ benefits to avoid the “Cadillac Plan Tax,” and dropping benefit plans altogether and directing employees to the website.

“While we are doing these meetings in earnest, many of our clients have expressed a significant feeling of anger and frustration,” McLaughlin says. “They view the disruptive activity that has been legislated on them as requiring the expenditure of energy for non-revenue-generating purposes. This is particularly true when they already had superior benefit offerings for their employees. And add to all this that the insurance companies too are having their resources stretched significantly—which slows up the process for everyone and piles on the frustration.”

Although the penalties have been pushed back a year, McLaughlin says what businesses do in January could impact them in 2015. “Understand your options and plan ahead,” McLaughlin says.

For example, you may want to give out bonuses. You can bonus out profits. Depending on your situation, you may need to invest in an asset to incur some Section 179 accelerated depreciation. Another thing you may want to do is to write off obsolete inventory that you have on your books.

For businesspeople, the uncertainty surrounding Obamacare is quite frustrating, Fowler agrees. “You are not sure what to do at this point,” Fowler says. “You can make a decision that could have a significant impact on your human-capital assets, or you could make a mistake that would have a significant financial impact on your business. The uncertainty of what is happening is the risk at this point.”

Proceed with Caution

As companies prepare for 2014, Ralph Gotto, a turnaround, profit-improvement, and business-streamlining specialist and the chief financial officer at Insigniam, a Philadelphia, Pennsylvania-based management consultant company, says the economic outlook is a “mixed bag.”

“I think some areas of the economy are going well,” Gotto says. “Overall, though, I see general caution. Everybody

gets carried away with the stock market, which is going gangbusters, but I think it's about to turn down.

"I think people are cautious because, even though the unemployment rate has dropped, it's not dropping because there are fewer unemployed people. There are actually more unemployed people. There are 90 million people who don't have the jobs they want. That has got to put a damper on the buying power in the economy."

James Kane, a lecturer at the Wolff Center for Entrepreneurship at the Bauer College of Business at the University of Houston, says the Texas economy is in good shape, largely because of increased revenues from oil and natural-gas exploration, but the national economy is "being supported by the \$85 billion a month from the Federal Reserve."

"It's supporting housing and forcing people into riskier assets, and as long as that goes on it's hard to imagine that there is going to be any kind of significant downturn in the economy," Kane says.

But Kane says no one really knows how long the Federal Reserve can prop up the national economy with its quantitative easing program, which has resulted in a soaring federal deficit exceeding \$17 trillion.

Government, private, and corporate debt now exceeds 230 percent of the gross domestic product.

"No one knows," Kane says. "It's an experiment. It never really has been done before. Japan (whose government, private and corporate debt exceeds 650 percent of GDP) has been doing the same type of borrowing money for almost 20 years. They have been fighting deflation for nearly 20 years.

"The lost decade has turned into two lost decades. There were people who thought 2013 was the end game for Japan, and it really doesn't appear it was. As long as people accept paper money, who knows? Really, no one knows, and no one knows how it ends. We'll probably get a preview of how it ends when we watch Japan go through it. They should be the first ones to go through it."

A Time to Give Back to the Community

Despite the uncertainty regarding the economy and Obamacare, Donaldson says Hot Shot Delivery has some special things planned for

the holiday season to give back to the community and keep his employees' spirits up.

First, the company recycles anywhere from 10,000 to 20,000 pounds of paper each year and uses that money to pay for its Thanksgiving and Christmas feasts. Employees get to vote on the type of "spreads" for each holiday gathering.

"We've had barbecues, Mexican food, tamale lunches, and even a Chinese Thanksgiving one year," Donaldson says. "It's nice because we're doing our part and not putting a bunch of paper in the landfill."

The company is also hosting an online contest this year. People can vote at www.deliveringhouston.com in terms of their favorite charity to make a donation to for Christmas.

"People can vote on which charity they would like us to make a donation to," Donaldson says. "On December 18, our team will make a delivery to the top vote-getter and we will deliver cash and gifts to the winner. We have the Houston Children's Charity, the Houston Food Bank, and the Houston Humane Society listed.

"It's something fun for us to do. The Houston Food Bank is a great customer of ours. If we can load up a truckload of canned goods that our customers can provide for us and write a nice check, then everybody wins. We are definitely looking forward to the contest and seeing who wins." **N**

An award-winning journalist at the Los Angeles Daily News, the Press-Enterprise and other newspapers for 20 years, Troy Anderson writes for Reuters, Newsmax, Christianity Today, Bankrate Insurance and many other magazines and online publications. He lives in southern California. For more information, visit www.troyandersonwriter.com.



... as more consumers get used to and trust online shopping, businesses need to ensure that their e-commerce sites are ready and that their employees are well-attuned to the nuances of the changing shopping patterns.