



How to Spot Business Opportunities in a Down Economy



by Lorelei Laird
Freelance writer

Coronavirus has changed our economy very quickly. As small businesses lose customers to social distancing, many are concerned about how they're going to stay afloat. Those are real concerns, but this unusual situation can also lead to business opportunities.



Customer needs have changed just as rapidly as the economy, and that frequently creates gaps in the market that a smart entrepreneur can fill. If you know how to find those business opportunities, you have a chance to not only survive but thrive even when the economy is slowing down.

Tips for Finding Business Opportunities

There are as many ideas about how to pivot in a bad economy as there are businesses. Here are some ideas—from entrepreneurship experts and real business owners—that can provide some insight and inspiration regardless of what kind of business you're in.

Look for Unmet Needs

Kathleen Allen, a professor emerita of entrepreneurship at the University of Southern California, says that regardless of how the economy is doing, entrepreneurs should try to find and meet consumer needs that aren't currently served by the marketplace. But because this is a pandemic, she says, those needs have shifted. To make sure your business lasts, she suggests meeting needs that will outlast this crisis, even if coronavirus brought them into focus.

"One of the businesses that has kind of leaped up to the forefront during this whole thing is businesses that focus on survival[ist] needs," says Allen, who retired from USC's Lloyd Greif Center for Entrepreneurial Studies. "That kind of a business is an opportunity that could potentially survive well beyond this particular pandemic."

Do What You're Good at—Differently

Small bakery chain [Mr. Holmes Bakehouse](#) normally serves pastries and brunch from storefronts in San Francisco and Los Angeles and provides wholesale products to other eateries. But San Francisco was one of the earliest cities to issue a shelter in place order, and it soon became clear that the rest of the state would follow. So in mid-March, founder and CEO Aaron Caddel called a staff brainstorming session focused on how to create business opportunities under those circumstances.

The answer they came up with was bread starter kits, which contain ingredients, baking instructions, and a chunk of bread starter, which bakers can substitute for yeast when making bread.

Caddel says this meets several consumer needs: assuaging worries about access to food, giving homebound people something to do, and providing a product that could be reused for years if properly cared for.

"The reception has just been outrageous," Caddel says. "We've already sent out deliveries to over 30 states. So it's just been taking off like a wildfire."

Don't Forget Legal Concerns

Many other restaurants have started offering groceries directly to consumers, selling off fresh food that might otherwise go unordered. Los Angeles restaurant chain [Bacari](#) quickly converted all three of its locations to pop-up neighborhood markets. They were so popular that the company had already reordered supplies multiple times before April.

Unfortunately, Bacari ran into trouble when the county health department shut down one location for lack of a grocery permit. Bacari already had a restaurant permit, which partner and co-founder Robert Kronfli says is more stringent, so they're not worried about qualifying—but they're losing money while they sort it out.

"The argument we're making is 85%–90% of our revenue was coming from walk-in shoppers," Kronfli says. "Takeout and delivery orders don't make up for that."

If you've encountered this sort of legal stumbling block, or think you might, you might [talk to a small business attorney](#) about meeting any legal requirements in your jurisdiction.

Use This Time to Plan

Professor Stewart Thornhill, of the University of Michigan's Samuel Zell & Robert H. Lurie Institute for Entrepreneurial Studies, says businesses are more likely to weather a bad economy when they have savings. If there's any lesson to take away from the time of coronavirus, it might be to make sure you're planning for the next downturn.

"If it was a family business and you had a few good years, you're not going to basically give that money away," says Thornhill. "Anybody who's been in business for any amount of time knows that we live in cyclical economies."

Consider an Investment

[Turning an economic crisis into a business opportunity](#) might also be possible if you have some capital to invest. Businesses that suffer in 2020's rapid economic changes may look for investors, or try to get out of the market entirely by [selling the business](#).

If you do consider selling, buying a business, or an investment, you're well-advised to [talk to a lawyer](#) about whether the deal is fair.

Allen notes that some may take advantage of other people's misfortune during a bad economy, and she strongly recommends against it as a business strategy. In addition to being bad PR, price gouging is illegal in 34 states, [according to the National Conference of State Legislatures](#).

Sudden economic downturns can frighten people who have sunk their hearts and fortunes into their businesses. But with some bravery and creativity—the same qualities that made you an entrepreneur—you can identify business opportunities even in tough times.

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