



Are you a banana skin away from financial oblivion?

On holidays recently we drove past The Big Banana. Majestic yet somewhat tacky at the same time, it had once again lured coach loads of people in to see what bananery delights awaited the unsuspecting visitor inside...

I too was lured in – not that I like bananas that much, but more from morbid curiosity. How is it possible that a large piece of concrete fruit created 40 years ago attracts so many people? Is the coast road so boring people feel compelled to get out of their vehicles to sample the cafe, gift and souvenir shop, Candy Kitchen, Puppet Shop, Banana Splitz Ice Rink, Wild Toboggan Ride, Trike rides and the two newest attractions "The World of Bananas" multi-media theatre experience and "The Banana Slip" - Australia's first 3 story high inflatable waterslide...

I mean seriously... what compels people to stop?

I then recalled a story I read in the paper many years before about how The Big Banana was comprehensively smushed by the 1990 recession.

Having undergone a major \$30million redevelopment (a significant sum of money for a banana I am sure you agree), it reopened in 1989 and promptly into provisional liquidation just 12 months later. Clearly the economy could not support that investment in a roadside tourist trap? Yet, many years later, the big banana still manages to attract tourists and locals alike.

I was lured in... I mean how is it possible that a large piece of concrete fruit could attract so many visitors?

The business model of The Big Banana has been copied throughout the country. At one point my father even owned a book solely about big things... Big Bottle... Big Cow... Big Strawberry... Lobster... the Big Macadamia (now that's just nuts)... Many have now disappeared, consigned to history and a decade where excessive was always best.

In so many instances, the desire to build the biggest ever banana/sheep/orange/thing was primarily the obsession of one man. Business rationale seemed to take a back seat to the desire to build. On the face of it, you have to admire their determination to achieve the seemingly impossible.

So ask yourself...what are the "big" things in your business life where you turn a blind eye to what is obvious to so many people from the outside? Nearly everybody has a blind spot (some people call them the elephant in the room). It can be people, products, attitudes or an acquisition. And, like the owners of the big banana, they have the ability to drive you to the edge of financial oblivion (and sometimes over it).

"Big Bananas" can ruin your business. For example:

Big is not always beautiful. A "big banana" might be an aesthetically pleasing business idea. It has credibility, instant recognition with the public – all the things that make a business succeed... right? Wrong. Big and recognisable means there

is a weight of expectation on how you charge for services and invest in the business that will often not match your financial reality. Most people can recall a business that “lost” some of its mojo as it grew in size and complexity. Customers drifted away when it was unable to live up to the reputation it had earned as it grew. Remember your core business philosophy when you started out. Make sure these principles are adhered to; otherwise as you grow, your customers may also start to see big is not being the beautiful business they loved to deal with in the past.

Large is not always efficient -

As businesses expand and grow, so too does the need for administration. Without careful planning, you lose the efficiencies you had when you started out. Let’s look at a simple example - a plumbing business. When you start out, typically you are a sole trader. You do all the work, all the books at night, and things are fairly streamlined, as you have no desire to work more non-billable hours than is the bare necessity. As your business grows, you suddenly find yourself with 5 trucks on the road, a full-time dispatcher, somebody doing finance and accounts, part-timers chasing unpaid invoices, business

development and administration.

You have gone from a business where 1 person does everything, to 5 tradesmen requiring 4 office staff to keep the operation running. What efficiencies are you losing as your business grows? How can you manage your business more efficiently?

Attractive is not always profitable – Just because a

Big is not always beautiful, large is not always efficient, attractive is not always possible...

business looks good on paper, doesn’t mean that it will still be attractive in the future. When you look at purchasing a business, you might see good profits, a solid balance sheet and a stable client list. But you need to look over the horizon. Ask questions. Is the business sector at a cyclical peak and margins steadily decline? Is future demand likely to remain strong? Why is the owner getting out now? Astute owners will always try to exit a business at the peak of the cycle. You need to ensure the

attractive proposition of today doesn’t become a nightmare.

Debt is your friend – Not really. Debt is a useful tool to enable investing to generate a positive return. But using debt must make sense to you as well as the bank. Despite banks being willing to lend for some surprising projects, they do have an expectation that their loans will be repaid. Therefore you need to be honest with yourself. Are the income forecasts realistic? Normally a business funded by debt needs to generate sufficient income to cover operating expenses,

debt repayments and income to the owner. If your modelling does not stack up, debt may not be your friend. Be prepared to walk away.

Many big things like The Big Banana still exist. The Big Pineapple, the Big Sheep, the Big Koala, the biggest man-made islands (“The Palms” and “The World” in Dubai) the Big Basket (Ohio)... Some say, they are “points of interest to lighten the heart of a weary traveller”. I prefer to call them object lessons. Determination can create the most amazing things. But for me, these big things will always demonstrate the risks of taking on the unknown.