


Preparing Your Small Business for Potential Economic Disruption

Geopolitical conflict in the Middle East may affect global supply chains, fuel prices, and financial markets. Small businesses can be more exposed to these risks because they often have tighter margins, fewer backup suppliers, and less access to emergency funding.

This guide covers eight practical areas where small business owners can take action immediately: from repricing strategies and cash flow management, to supplier diversification, legal protections, and reducing your reliance on oil. Each section is designed to be actionable — not theoretical — so you can start making changes this week.

ACTION GUIDE

8 KEY AREAS

 General information only. This guide is not personalised financial advice, legal advice, tax advice, or accounting advice. Before acting on any borrowing, hedging, contract, pricing, or restructuring decision, obtain advice from an appropriately qualified professional.

Any examples in this guide are illustrative only and may not be suitable for every business.

Review Your Pricing Strategy

One potential risk for small businesses in a volatile fuel or materials environment is margin erosion on fixed-price contracts. If input costs rise after you issue a fixed-price quote, your margin may be reduced unless your pricing terms allow for adjustment.

Fuel Adjustment Factor (FAF)

Consider whether a fuel adjustment or cost-escalation clause is appropriate for your contracts, and have any clause reviewed by your solicitor before use.

Move to Indexed Pricing

Where commercially appropriate, consider indexed or reviewable pricing tied to a recognised benchmark. Legal and commercial advice should be obtained before changing contract terms.

Re-Price Existing Contracts

Review contracts currently in flight. If costs have shifted materially since you quoted, open a conversation with your client. In some cases, clients may be open to renegotiation where costs have changed materially, but outcomes will depend on the contract terms and the commercial relationship.

Indexed pricing is not about passing all risk to the client — it's about sharing it fairly. This approach is increasingly standard in industries exposed to commodity price swings, and clients in those sectors will often understand the rationale.

Contract wording and enforceability are legal matters. Obtain legal advice before relying on any clause or contract variation.

Increase Your Cash Buffer

Cash is the oxygen of a small business, and in a disrupted supply environment — if stock delays, longer lead times, or rising costs occur. The goal is to build a larger, more flexible financial cushion before you need it, not after.

Accelerate Collections

Chase outstanding invoices proactively. Consider whether an early-payment discount is commercially justified and consistent with your margins.

Extend Supplier Terms

Talk to your suppliers about extending your payment terms. Even an extra 15–30 days can meaningfully improve your working capital position.

Revolving Credit Facility

Consider discussing overdraft, revolving credit, or other working-capital options with your banker, accountant, or adviser, noting that availability, pricing, and suitability depend on your circumstances and lender criteria.

Audit Your Inventory

Don't tie up cash in slow-moving stock. Identify what's sitting idle and consider discounting or liquidating it to free up working capital.

Funding products are not suitable for every business. Eligibility, security requirements, pricing, and terms vary by lender.

Reduce Expenditure Without Cutting Muscle

When revenue is uncertain, one way to protect cash flow is to review discretionary and non-essential expenditure — but the key is cutting fat, not muscle. Indiscriminate cost-cutting can damage your capability to serve clients and recover quickly when conditions improve. Prioritise changes that preserve revenue-generating capability and customer service.

Quick Wins

- Audit all subscriptions and cancel non-essential services immediately
- You may be able to renegotiate with vendors, depending on your relationship, contract terms, and volume.
- Review software licences and consolidate where possible

Structural Changes

- Automate manual, repetitive processes to reduce labour costs over time
- Downsize physical space if remote or hybrid work is viable for your team
- If you are considering subletting space, first check your lease terms and obtain legal or property advice where needed.
- Review energy usage and identify efficiency gains that reduce ongoing overheads

The discipline here is to distinguish between costs that generate revenue or protect capability, and costs that are simply habitual. Every dollar saved on overhead is a dollar that strengthens your cash buffer and extends your runway through the disruption.

Operational and lease decisions can have legal and tax consequences. Obtain professional advice where required.

Review and Diversify Your Suppliers

Supply chain fragility can be a significant risk in a geopolitical conflict scenario. If your critical parts or materials flow through a single supplier — particularly one that is overseas or dependent on Middle Eastern shipping routes — you may be carrying concentrated supply risk that could materially affect operations. Now is the time to map, diversify, and buffer your supply chain.



Multi-Source Your Critical Parts

Find and qualify at least one secondary supplier for your most critical components. Even buying small amounts initially keeps the relationship active and the option open.



Map Your Dependencies

Don't just look at your direct suppliers — look at their suppliers. If your supplier relies heavily on a single upstream provider or route, your business may be indirectly exposed to that concentration risk.




Regional Diversity

If your main supplier is overseas, identify a nearshore or local NZ supplier. It may cost more, but it may reduce exposure to some international shipping and transit risks.



Safety Stock Buffering

Instead of just-in-time delivery, keep a safety buffer of critical components. Calculate how long it takes to activate your backup supplier and stock enough to cover that period plus a margin of error.

-  Negotiate **framework agreements** with potential backup vendors now, so you can ramp up orders quickly if your primary source fails. Similarly, don't rely on a single freight forwarder — consider identifying alternative freight routes or carriers in case major shipping lanes or logistics channels are affected.

Supply chain decisions should be assessed in light of your actual suppliers, lead times, inventory profile, and contractual commitments.

Review Your Contracts: Force Majeure and Related Risk Clauses

A force majeure clause may excuse or suspend performance under a contract in limited circumstances, depending on the exact wording of the clause and the facts. In the context of geopolitical disruption, this may provide contractual protection in some cases if stock is delayed, shipping routes are affected, or supply chains are disrupted in ways outside your control.

1 Do You Have Force Majeure Clauses?


If these clauses are absent or narrowly drafted, your rights may be limited, so the contract should be reviewed by a solicitor.

2 What They Enable

A well-drafted clause may allow suspension, delay, or other relief, but the outcome depends on the contract wording, the event, and any notice requirements.

3 Future-Proof New Contracts

Even if your current contracts lack this protection, ensure all future contracts include Force Majeure language. Work with a solicitor to draft clauses that are specific enough to be enforceable but broad enough to cover a range of geopolitical scenarios. Do not rely on this guide for legal interpretation. Obtain legal advice on existing contracts and any new clause wording.

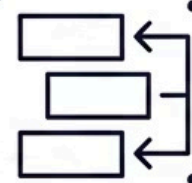
 Legal disclaimer: This slide is general information only and is not legal advice.

Review Your Banking and Funding Options

In a volatile interest rate and currency environment, the financial structure of your business matters as much as your revenue. Many small business owners set up their banking arrangements once and never revisit them — but it may be worthwhile to review whether your current banking arrangements remain suitable.



1. Rate-Lock - fix your interest rate.



2. Re-Structure - review your loan structure.



3. Currency Hedge - lock in an exchange rate.



4. Invoice Financing - accelerate access to funds.

A currency hedge can be used to manage exchange-rate risk in some circumstances, but it can also create costs, obligations, or opportunity loss, and is not suitable for every business. Invoice financing may improve short-term liquidity, but it has costs, eligibility criteria, and contractual implications that should be assessed carefully.

- ☐ Lines of credit and invoice financing options are worth discussing proactively with your banker — before you're in a cash crunch, not during one. Businesses often have more options when they engage early, before liquidity becomes constrained.

This content is general information only and does not recommend any specific lending, hedging, or funding product. Product suitability depends on your circumstances, risk tolerance, and provider terms.

Reduce Your Reliance on Oil

Businesses that rely heavily on diesel or other fuel inputs can be exposed to oil-price volatility, including volatility caused by geopolitical events.

Reducing reliance on oil may improve resilience for some businesses, depending on usage patterns, capital cost, and available alternatives.

Some lenders may offer sustainability-related lending or home-loan top-up products for eligible improvements, but availability, pricing, purpose, security, and eligibility vary.



Solar Panels

Reduce electricity costs and insulate against energy price spikes with on-site generation. Subject to upfront capital cost, site suitability, and payback analysis.



Electric Vehicles

Replace diesel fleet vehicles with EVs to eliminate fuel cost exposure on your transport operations. Subject to vehicle suitability, range, payload, charging access, and total-cost-of-ownership assessment.



Energy Efficiency

Invest in energy-efficient equipment and building upgrades to reduce ongoing overhead costs. Subject to business case, installation cost, and expected savings.

Do not rely on indicative product descriptions or rates without checking current lender terms and obtaining professional advice.

Your 8-Point Action Summary

If geopolitical disruption affects fuel, supply chains, or financing conditions, businesses that prepare early may be better positioned to respond. These eight areas may help some businesses improve resilience, depending on their circumstances. Use this summary as your checklist.



Review Your Pricing

Review pricing terms and consider whether contract adjustment mechanisms are appropriate, with legal review where needed.



Increase Your Cash Buffer

Review cash-flow resilience, collections, inventory, and funding options appropriate to your business.



Reduce Expenditure

Review discretionary spend while protecting capability, service levels, and compliance.



Diversify Suppliers

Assess supplier concentration, freight exposure, and practical contingency options.



Review Your Terms

Review key contract clauses with a solicitor, including force majeure and related risk allocation.



Talk to Your Banker / Adviser

Review whether existing banking and funding arrangements remain suitable.



Reduce Oil Reliance

Assess whether energy-efficiency or fuel-substitution investments are commercially justified.



Ask for Help

Obtain tailored advice from appropriately qualified professionals.

Ask for Help — You Don't Have to Navigate This Alone

One of the most underutilised resources available to small business owners during periods of disruption is peer support and expert guidance. Some business owners find peer groups, mentors, or specialist advisers useful when assessing response options during uncertain trading conditions.

A qualified adviser, accountant, banker, or solicitor may help you prioritise actions relevant to your business.

The businesses that come out ahead after a disruption are rarely the ones that got lucky — they're the ones that made deliberate decisions early, while others were still waiting to see what happened.

Early planning may preserve more options than waiting until pressure becomes acute. Use this guide as a starting point, and seek expert input tailored to your specific circumstances.

- ✔ If you need tailored advice, seek help from appropriately qualified professionals who can assess your specific circumstances.

Any regulated financial advice will be provided separately and subject to the applicable disclosure and engagement process.