



**Unlocking hidden opportunities  
in a shifting economy**



**Periods of economic upheaval can feel overwhelming, and it's natural for business owners to think about pulling back. But history shows us that tough times often set the stage for the most resilient companies and innovative growth. When the market shifts, it's not just a challenge, it's also an opening for those ready to adapt and think strategically.**

Let's talk about what that can look like for your business right now.

## **Seizing the opportunities behind supply chain disruptions**

Trade wars and retaliatory tariffs can strain global supply chains, but they can also create openings for businesses to reimagine where and how goods and services are sourced. Companies that once relied heavily on international imports may now find competitive advantages in reshoring — bringing production and supply networks closer to home.

For others, reshoring trends open new doors. As companies move operations back to the U.S., they often need new suppliers, logistics partners, service providers, and local talent. Businesses that can anticipate these needs — by offering specialized manufacturing, transportation, technology, or workforce solutions — may find themselves well-positioned to fill critical gaps in the emerging domestic supply chain.

## **Expanding into recession-resilient products and services**

Every economic downturn unfolds differently, but one pattern tends to hold: demand shifts toward essential services and value-driven products. While luxury goods and discretionary spending often decline, certain sectors prove more resilient.



For instance, auto repair businesses and home improvement retailers generally see continued growth as people invest more time and money in maintaining their existing assets. Similarly, businesses that meet day-to-day necessities, such as grocery stores and discount retailers, often remain stable or even thrive as consumers become more price-conscious and prioritize essentials.

Identifying recession-resilient products and services requires more than watching the headlines—it requires asking the right questions. What essential needs are becoming more pronounced? Are there areas where people or businesses are underserved, especially due to disrupted supply chains or changing regulations?

Another critical consideration is indispensability. Products and services that solve “must-address” problems—healthcare, basic financial support, education—tend to fare better than those that can be delayed. Likewise, watching broader trends accelerated by economic conditions, such as AI automation, telehealth, and reshoring, can point toward where future demand is headed.

## Monetizing secondary capabilities

Often, the next source of growth isn’t something new—it’s something already within reach. Many organizations have in-house capabilities that have historically been viewed as secondary to their core operations. In a volatile economy, these overlooked assets can become valuable revenue streams.

Consider a company that developed a robust logistics network to support its own operations. In the face of supply chain disruptions, that same company might offer delivery, warehousing, or distribution services to nearby businesses that lack the infrastructure. Similarly, an internal IT department that once managed only in-house systems could evolve into a managed service provider for other firms suddenly grappling with remote work demands.

During previous downturns, companies that successfully monetized secondary capabilities often followed a few key steps. First, they conducted a comprehensive



audit of internal functions, asking: What are we exceptionally good at that others might need? Then, they assessed market demand, regulatory considerations, and operational capacity to determine which services could be spun off, expanded, or sold externally.

Secondary capabilities aren't limited to infrastructure or technology. Talent, too, can be redeployed. For example, a finance department skilled in risk management could offer advisory services to external clients navigating economic uncertainty. A marketing team adept at digital strategy might launch a side practice helping other businesses pivot to online sales.

Monetizing these capabilities can take different forms. Some businesses create entirely new divisions; others offer services on a project basis to diversify revenue without overcommitting resources. In either case, financial guidance is key. An experienced advisor can help evaluate the profitability of new ventures, model cash flow implications, design appropriate pricing strategies, and ensure compliance with tax and regulatory obligations.

## Tapping into a skilled talent pool

Layoffs are deeply challenging for individuals, but they can also expand the available talent pool, offering businesses a chance to recruit skilled professionals who may not have been previously accessible. Experienced federal employees and contractors, many with specialized expertise in areas like project management, cybersecurity, logistics, and compliance, are entering the job market in greater numbers.

For businesses, this is a strategic time to assess where skilled hires could add long-term value. Companies might also explore available incentives, such as the Work Opportunity Tax Credit (WOTC), which may offer credits for hiring from certain target groups, including the long-term unemployed and qualified veterans. Many displaced federal employees are veterans who may qualify for WOTC if other eligibility criteria are met.



## Investing when markets are down

Volatile stock markets and declining asset prices can feel intimidating, but they can also create opportunities for those with a disciplined approach and adequate reserves. Distressed assets, undervalued competitors, and strategic real estate holdings frequently become available at more favorable terms during economic downturns.

That said, seizing these opportunities requires more than timing—it demands a strategy. Businesses considering acquisitions should prioritize assets that align with their long-term growth plans, not just those that appear discounted. Distressed businesses, for example, can present attractive valuations, but hidden liabilities—such as outstanding debts, pending litigation, or contractual obligations—must be carefully assessed during due diligence.

Structured planning is key. This includes understanding how potential investments affect cash flow, leverage, tax exposure, and long-term risk. Strategic use of tools like Section 179 deductions (for qualifying asset purchases), opportunity zone investments, and other tax-advantaged strategies can enhance the after-tax value of capital deployed during a downturn.

In turbulent environments, the advantage belongs to those who balance boldness with rigor. Engaging experienced financial and accounting advisors early ensures that your plans are not just opportunistic but strategically sound and tax-efficient.

## Final thought: agility and strategy win the day

Economic volatility tests everyone but rewards those who stay agile, think creatively, and plan strategically. Whether it's revisiting a business model, expanding service lines, or making smart investments, those who adapt thoughtfully are best positioned to turn today's challenges into tomorrow's successes.





# Next Step

Navigating uncertainty requires more than resilience; it demands informed action. Working with experienced advisors—those who understand not only the risks but also the hidden opportunities—can make all the difference in moving forward with clarity and confidence. For more personalized guidance, please contact our office.



## About Pugh CPAs

We got our start in Knoxville, Tennessee in 1969 and have grown into a regional firm with global connections. We've been in business a LONG time and that means we've worked with a diverse group of industries and clients. Of course, we do tax planning, compliance, auditing, and accounting but our passion is collaborating with our clients to ensure that your business and financial goals are met. It's critical for your business advisors to understand how your business operates within your industry—we get that! Our longevity is connected to the relationships we build with our clients and that's how we build trust. You can be confident that Pugh CPAs has the knowledge, skills and abilities to help you achieve your goals. Brilliant people with servant hearts work here.



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