



The Researcher's Perspective

Thoughts and Opinions of the MR Industry

Previous Blogs:

- Coming Soon!
December 07, 2009
- Wisdom of Crowds
January 13, 2010
- Using Twitter to Further My Market Research Learning
January 20, 2010
- Take Control of Your Global Online Sample
January 27, 2010
- Success Strategies
February 16, 2010
- Baby Steps
February 22, 2010
- Vox Populi: A Case of When It Isn't
February 24, 2010
- Votes & Quotes
March 03, 2010
- Market Research Community – Not Another Post About MROC's
March 10, 2010
- Wave Effects
March 17, 2010
- What Survey Researchers can Learn from Political Pollsters
March 24, 2010
- Fresh Spinach
March 31, 2010

April 14, 2010

The Economic Squeeze

By Siamak Farah

Caught in the Middle?

Today, many small businesses are caught in the middle of a situation that is governed by macroeconomics and broader market issues, and as such, there is very little control or correction they can apply to the business environment.

On one hand, due to the economy, clients are not capable of absorbing higher prices and are always under pressure to reduce their costs of goods and services, which in turn puts pressure on revenues, forcing revenue to grow at a slower pace, and in the case of many companies, even flatten or decrease.

On the other hand, companies' operational costs have increased dramatically across the board, while inflation continues, unchecked, despite the recessionary climate. In addition, some cost items, such as existing employee salaries do not float with the recessionary curve and only have upward pressures. In other words, as companies make less revenue, they can't in turn offer lower salaries. Salaries remain fixed and only grow for typical employees.

As a whole, it often takes several months, and often years, for inflation to adjust correctly to reflect market conditions. Therefore a typical business owner feels the effects of inflation when it comes to the costs, but feels the effects of recession when it comes to revenue and income.

The Economic squeeze occurs where your growth in revenue/profit is at a much slower curve than the growth in your fixed and variable costs. In other words, a typical business owner is paying higher prices while making less revenue.

The Way Out

Small businesses have to constantly be in control of the balance between income and expenditures, especially in an economic downturn. I liken expenditures (and debt) to gaining weight. It is so easy to gain weight, yet it is so hard to shed old habits and lose the pounds. Every successful weight program calls for a "healthy lifestyle change" as opposed to a quick fad diet, so that the effects can be long-lasting.



Add Comment



Subscribe



- Why DIY Research is Good for Everyone
April 07, 2010
- Up in the Air About Low Incident Studies
February 03, 2010
- What Not to Expect When Conducting International Surveys
January 05, 2010
- This Business Isn't Fun Anymore
January 06, 2010
- The Carnival and the Amusement Park: A Tale of Two MROCs
February 11, 2010
- The Extra Mile
February 04, 2010
- A New Twist on Garbage in, Garbage Out, or if it has Graphs, it has Got to be Good
February 17, 2010
- How Are You Following Up?
March 26, 2010

The same applies to small businesses. Look for healthy lifestyle changes as opposed to rash or quick actions. For instance, empowering people to increase their efficiency is a great start to a "healthy lifestyle change." By comparison, an unhealthy change, for instance, would be a massive reduction in force (RIF), which often has the side effect of forcing talented employees to search for new jobs to battle uncertainty. Such companies, often shortly after the RIF, hire new staff and have to once again invest in the employee learning curve. This arguably is not the best approach.

And similar to a weight loss program, the biggest nemesis is change. Those who fear change and continue with business as usual are doomed to having the road being their driver and will have little control in deciding their own destiny.

It Takes a Team to Implement A Success Plan: Your Team

A "healthy lifestyle change" is the only way out of the "Economic Squeeze." Companies who consciously try healthy lifestyles have a definite competitive advantage over others. However, the change has to be embraced, bought in, adopted and grokked by the entire team.

Every small business owner today has eyes on two goals:

- Increase Recurring Revenue
- Decrease Recurring Costs

Discuss these ideas with employees and ensure that these are their goals as well. Ask them for ways to improve the efficiency in their area of work. Look for automated solutions.

Share every success, every loss, run an open company with no secrets, and your employees will take ownership. If your employees are more "members of the team" than typical employees, you are already ahead of the curve. However, continue down this path, surround yourself by smart people and listen to them. Ways to improve operations, and approaches to reducing costs are often more apparent to those closest to the problem, the staff!

Siamak Farah is the CEO of InfoStreet.



Marketing Research Association

110 National Drive | 2nd Floor | Glastonbury | CT | 06033 | Tel: 860.682.1000 | Fax: 860.682.1010 | webmaster@mra-net.org

Copyright 2009 Marketing Research Association, Inc. All Rights Reserved
