

Recessionary pressures in the UK and how small-medium sized businesses can s...

Tips on how to cope, survive and succeed within the current tough economic climate. I have used the company, Vin De Terre Ltd and www.WineGifts4U.co.uk as a prime example.

I rarely listen to the radio (unless I am forced to listen to Radio 2 at work), I never read the papers, and watching the news on television bores me. However, given my lack of interest in current affairs, with no mortgage to pay and limited responsibilities, up until now I wasn't bothered about world news or national issues. Lately though, I can't help but notice the recent dramatic changes in the UK's economic climate and this is what I would like to consider.

I work for a company, Vin De Terre Ltd, which established itself eleven years ago as a wholesaler in beers, wines and spirits, supplying shops within a fifty-mile radius of Spalding. This strategy worked fine until 1999, when supermarkets began selling alcohol at cut prices making it very difficult to compete in the market place. Vin De Terre Ltd, therefore diversified into a slightly different market segment, providing a similar service to pubs, clubs and restaurants, which had a very positive influence on profit margins. Since 2005, even this sector has also shown an enormous decline and with the smoking ban in public places taking effect from July 2007, as well as the widespread reduction in disposable incomes the whole pub sector has taken a very big hit.

Being an innovative company, the wholesale business in 2006 decided to find another opportunity of selling goods available from existing suppliers, and has since developed and established an online e-commerce website, www.WineGifts4U.co.uk selling personalised wine gifts, wine gifts, which were originally sold in bulk to existing restaurant customers within a 50-mile radius of Spalding, Lincolnshire but are now available to individual customers throughout the UK.

The idea to sell personalised wine online came from a conference, which was attended in 2005 by our Managing Director, Asgar Dungarwalla. A presentation was given by Viking Direct, the stationary supplier, who make a point of personalising all of their customer mailshots in order to create a rapport with their customers by offering a unique selling point, making stationary seem a little more interesting. So, it seems the key to stay in business through these tough time is to be innovative, continuously looking for new ideas to excel within the market place.

Even without taking notice of the media and the situation at work, it is obvious to me that the country's economic situation is fairly delicate at the moment, with recessionary pressures hitting small, medium and large companies as well as the general public; the ever increasing fuel prices are a primary factor. Petrol is now at £1.15 per litre at my local supermarket, and I remember it costing 70 pence per litre not so long ago. Also, over a similar time frame, the cost of a weekly shop has gone from £100 to £150, meaning living costs have been rising sensationally, but my salary hasn't gone up as spectacularly (or at all infact!), leading to a fairly low disposable income left over at the end of the month. Some food producers have seen the cost of key ingredients rise by as much as 300% over the past year, and earnings for major food companies like Kellogg (K) and Kraft (KFT) have taken a hit. Ernest and Young describe the current economic climate as a "horror movie" at risk of turning into a "disaster movie" and Simon Rubinsohn, the RICS's chief economist suggested, "There are no positives out there right now". This is all rather worrying and with the credit crunch too...

What is a "credit crunch" ?

Quite simply, a credit crunch means that banks hold on to the cash they have as tightly as possible, making it harder for people to borrow money. The reason for this is America's mortgage market meltdown, meaning that banks are becoming very wary of whom they lend to. Banks are particularly averse to dealing with hedge funds and other financial institutions that might be exposed to the repackaged sub-prime US loans, which were lent to low income American households. Consequently, the cost of borrowing has risen well above target rates set by institutions like the Bank of England. However, it is still fairly easy to get a mortgage in the UK, if you are a good credit risk. On the whole, those with a lower credit rating are finding it more expensive to borrow, as banks tighten their lending criteria.

The Telegraph UK believes "the economic outlook for the business sector was "grim and ominous" and the downturn could be "longer and nastier" than previously expected." In my opinion, this description is probably very accurate, people still need to make a living though, so companies should try to look at reducing their costs as much as possible as well as changing or improving their existing business to cope and survive in these hard economic times.

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