

The Analytic Review:

Practical Recommendations Mitigating the Impact of Global Financial Crisis on Business

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Summary

The analytical report provides the economic crisis scenario forecast for the consumer goods sector. The report also lists anti-crisis measures that should be taken in the nearest future and considers all the aspects of ensuing company policies from personnel reduction to refinancing.

In the coming months the majority of retailers and wholesalers in the consumer goods sector will encounter sharp decline in demand for their products. The greatest fall will be observed in durable goods sector. However, even the basic consumer goods sector will be affected by the recession.

Demand for goods with longer inter-purchase time within the next 6 months will fall by tens of percent if compared to the same period of the previous year. Demand for other commodities will recede by a minimum of 10-15% (in monetary value). The demand will shift to lower price tiers.

Practical Recommendations

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Global Financial Crisis
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The demand slump is caused by the following factors:

1. The coming months will bring multiple bankruptcies of small and medium companies. More pre-bankruptcy exposures for sale are expected due to the failure of companies to fulfill short-term loans obligations and no possibility for refinancing, meaning that banks will demand to discharge credits from a company's cash-flow and refuse further refinancing. These measures are quite unexpected for many entrepreneurs who surely won't have sufficient funds in the cash-flow to discharge credits.
2. Many companies (financial institutions, construction firms, developers), who turned out to be the crisis's first victims of the crises have already responded by almost total curtailing of investment programs, reduce their personnel and cut all bonus payments. Those who haven't done it yet will do so in the nearest future.
3. All suppliers and their partners will have to stick to the above policy pattern in the next two months. This is applicable to all manufacturers of building materials and metals, construction equipment (truck makers have already announced lay-off, slashing output and slowing assembly lines). Cutting of their investment commitments automatically means sharp recession in B2B market, which in its turn will lead to further job losses, salary cuts, etc.
4. After hitting certain economy sectors, the crisis will continue to seize other sectors in spiral turns, which will inevitably lead to global profit diminution, growth of unemployment, consumer demand decline. These consequences will be strengthened by general loss of confidence and apprehensive mood demonstrated by consumers, while profit diminution will provide even less opportunities to rekindle consumer demand. Durable goods sector will be affected to the largest extent, as people will postpone buying these goods until better times. People will bottle up money until they feel economic upturn.
5. Sharp reduction of demand in real estate domain is evident. The deceased demand can be explained with people's expectation for prices to fall, which acts as a short-term factor. Moreover, the credit crunch has also added up to the demand deceleration. Real estate market will dramatically shrink within the next year. It can be said about the volume of real estate sales rather than the price of one square meter (it will, probably, drop as well, but not that drastically).
6. The wholesalers should take into account possible bankruptcies of their clients (retail companies) due to demand recession. Wholesalers must take into account they will not be the first in the line of their lenders. When paying back loans, credits and other debts retailers will prioritize banks, leaseholders and personnel, rather than wholesalers, relevant funds.

Initial Anti-Crisis Measures

A Well Thought Anti-Crisis Program

Firstly, define the main priority for the next months which is keeping sales at such the level allowing to minimize losses. Thus, all management decisions should be guided by these principles. [more...](#)

Secondly, it is vital to estimate company's business model considering the rate of demand recession. The demand for durable goods is expected to fall by 50%, with other businesses downturn of 10-20% in 2009. Therefore, it is critical for company's survival to project its functioning under such downturn and to choose reasonable measures for loss minimization. [more...](#)

Thirdly, a company must have a clear and well-drafted anti-crisis program (or several versions of this program in order to deal with various demand decline scenarios). This program should be agreed with all senior management. The implementation of the program, at least its specific sections, should have started in October 2008. Such program backed by a reasoned business model should dampen negative consequences of the crisis and minimize losses. [more...](#)

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