



# Understanding the recession and laughing in its face

**Presentation to the Association of Charity Shops**

Joe Saxton

July 2009

**Telephone: (020) 7426 8888**

**e-mail: [joe.saxton@nfpsynergy.net](mailto:joe.saxton@nfpsynergy.net)**

**Web: [www.nfpsynergy.net](http://www.nfpsynergy.net)**

# The economics of the recession

# Hard times ahead???

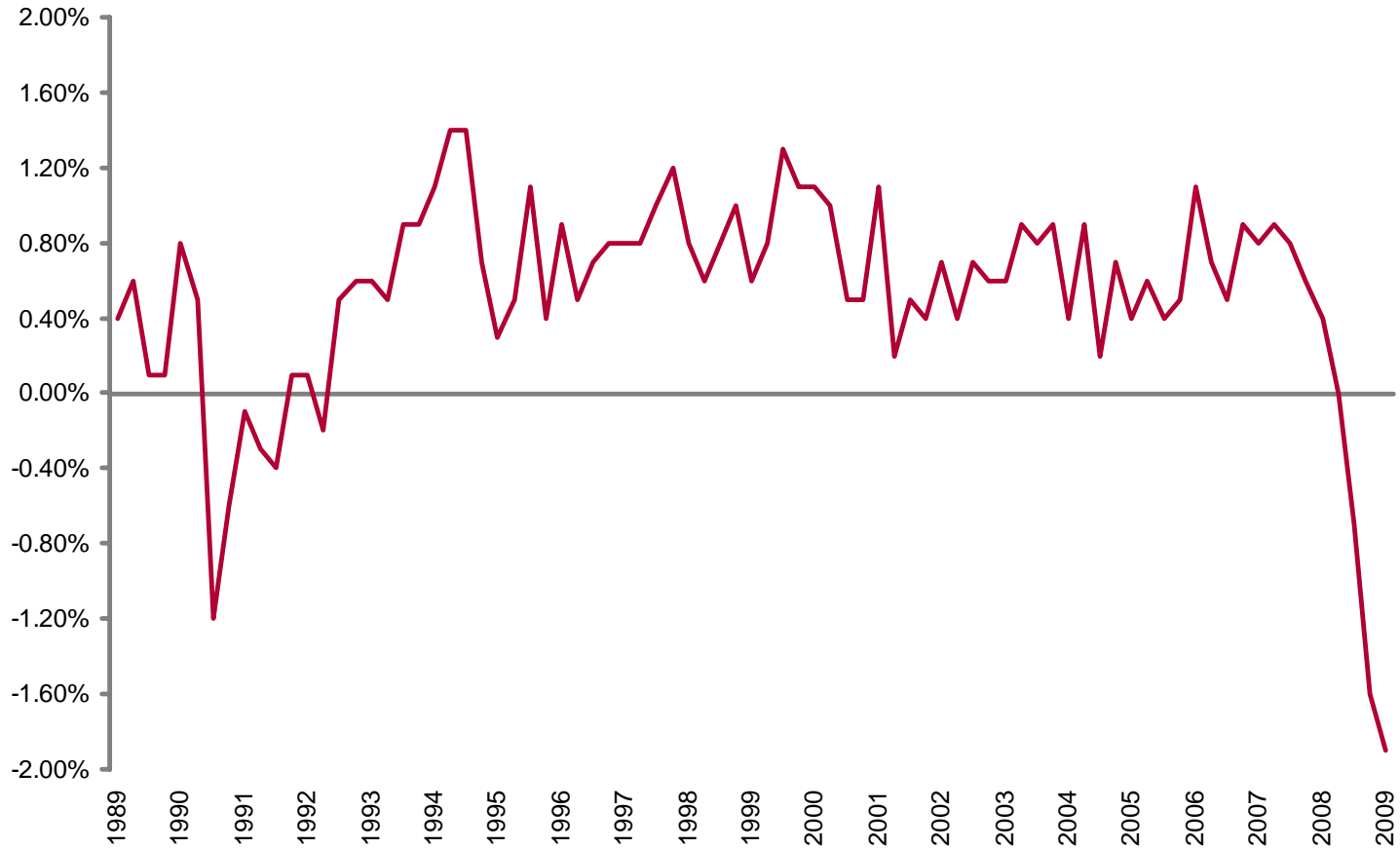
Durex profits surged 46% first half of this financial year

£32.5 million made by SLL



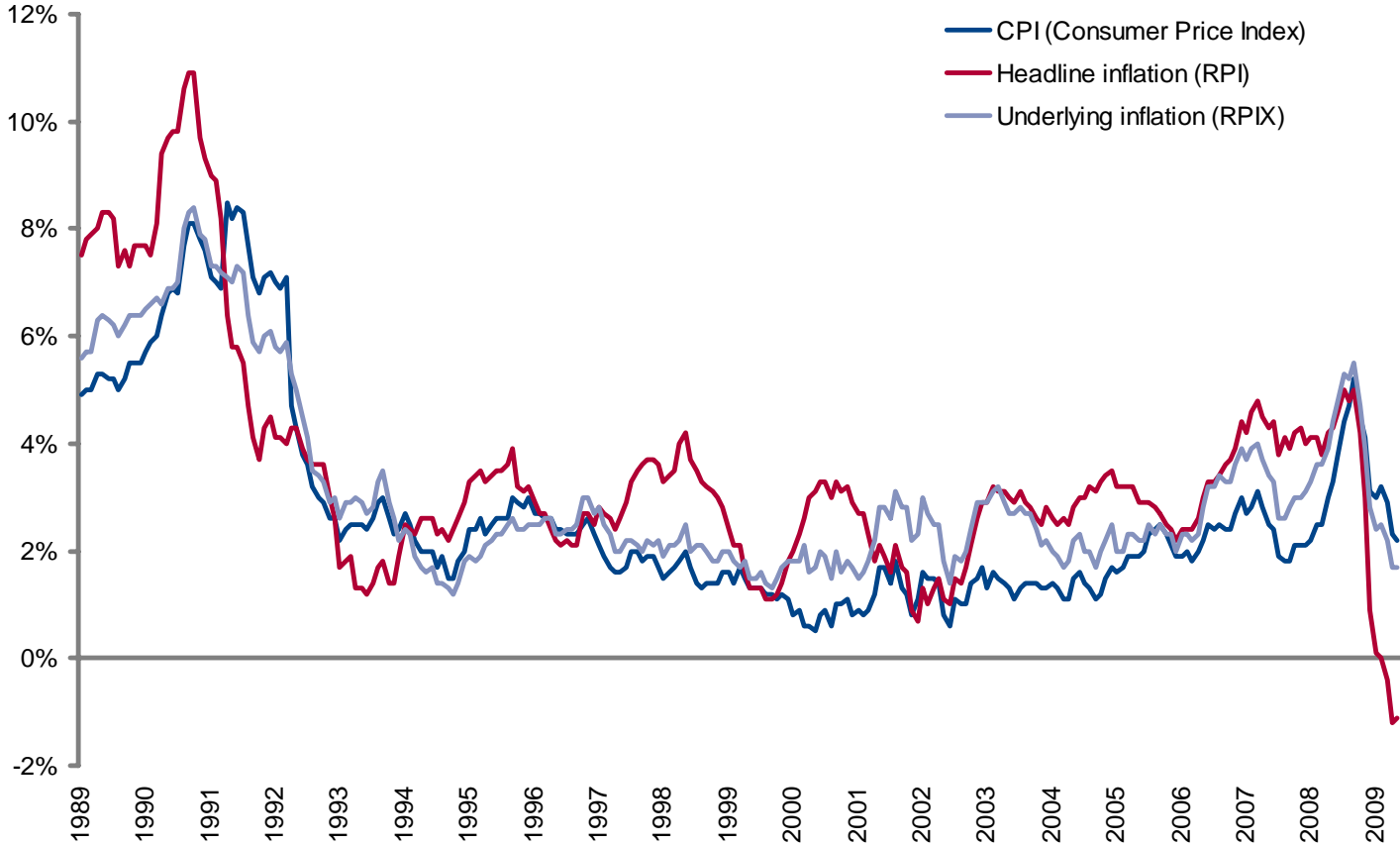
# Real GDP growth, quarter on quarter

Data up to Q1 2009



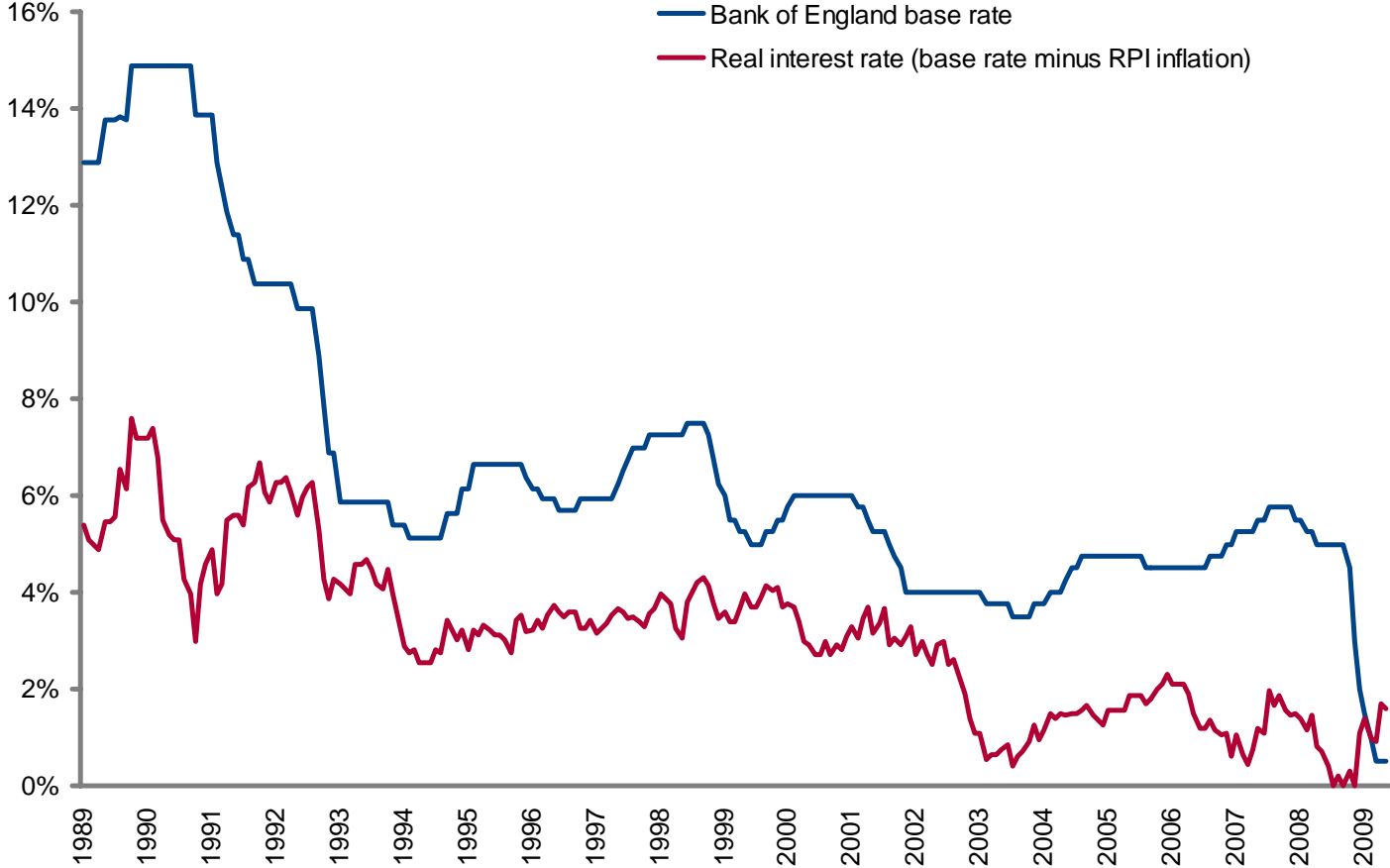
# Inflation – The three main measures

Data up to May 2009



# Interest rate, at end of month

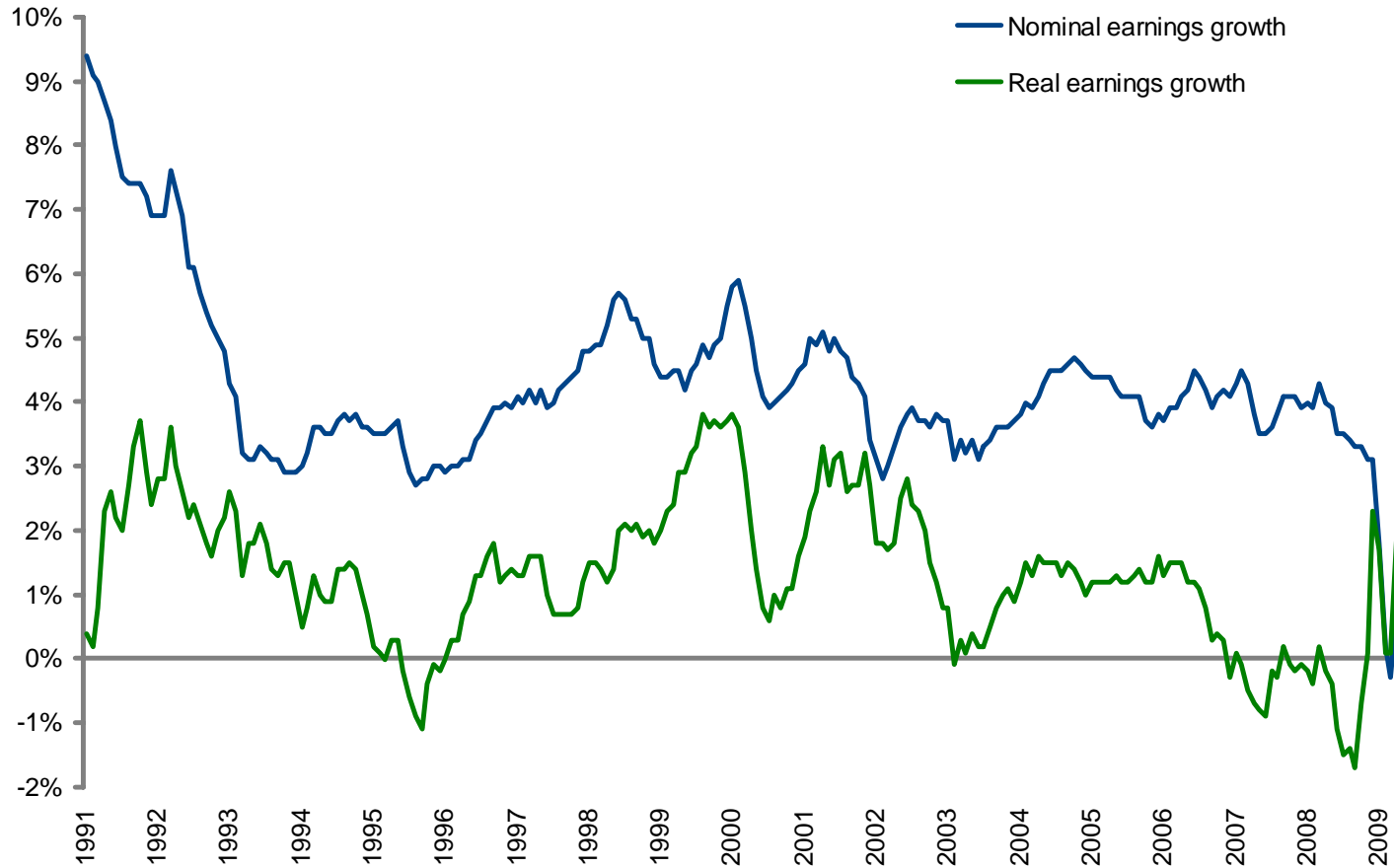
Data up to May 2009



# Earnings growth

Nominal seasonally adjusted 3-month averages (including bonuses) vs. RPI inflation

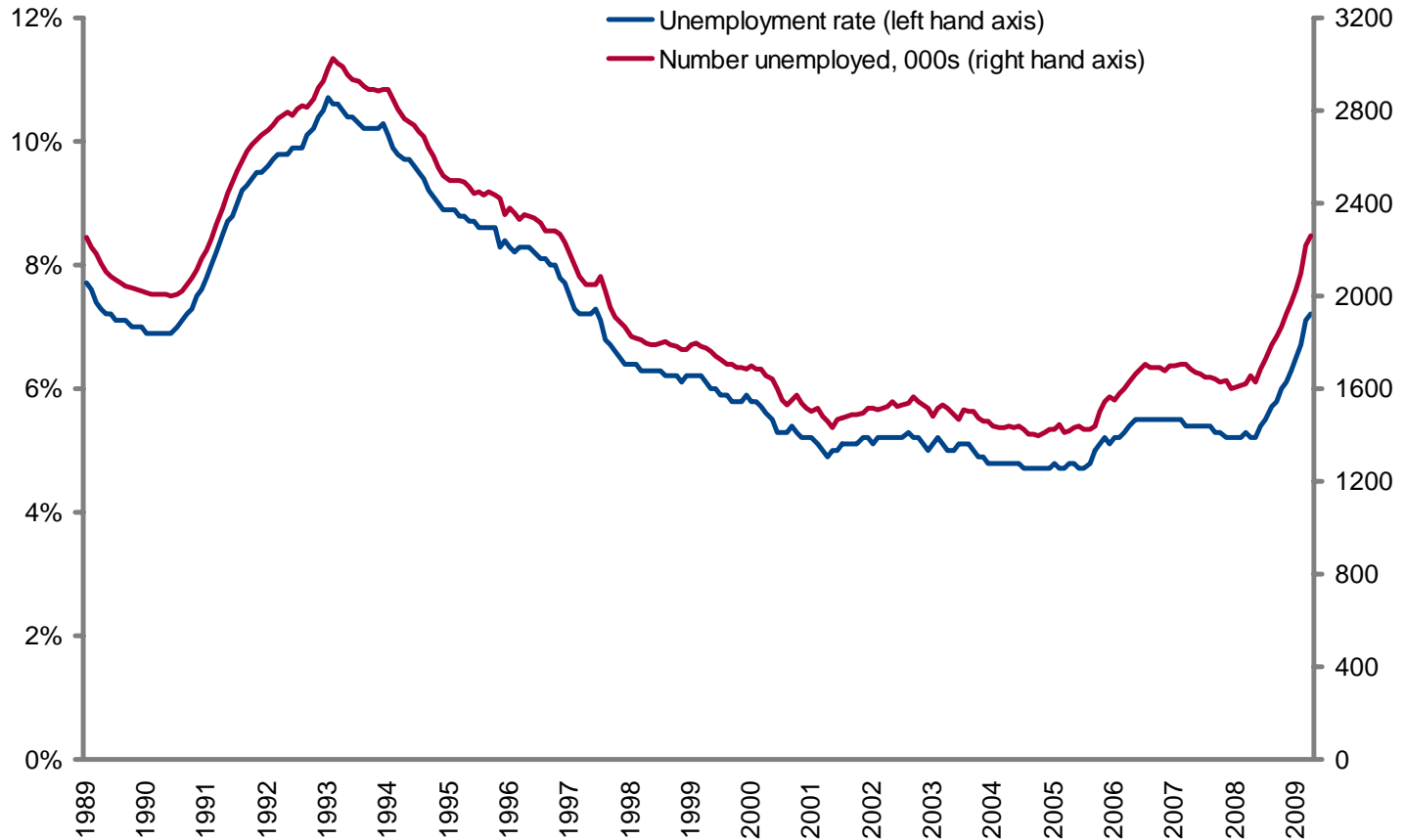
Data to April 2009



# Unemployment

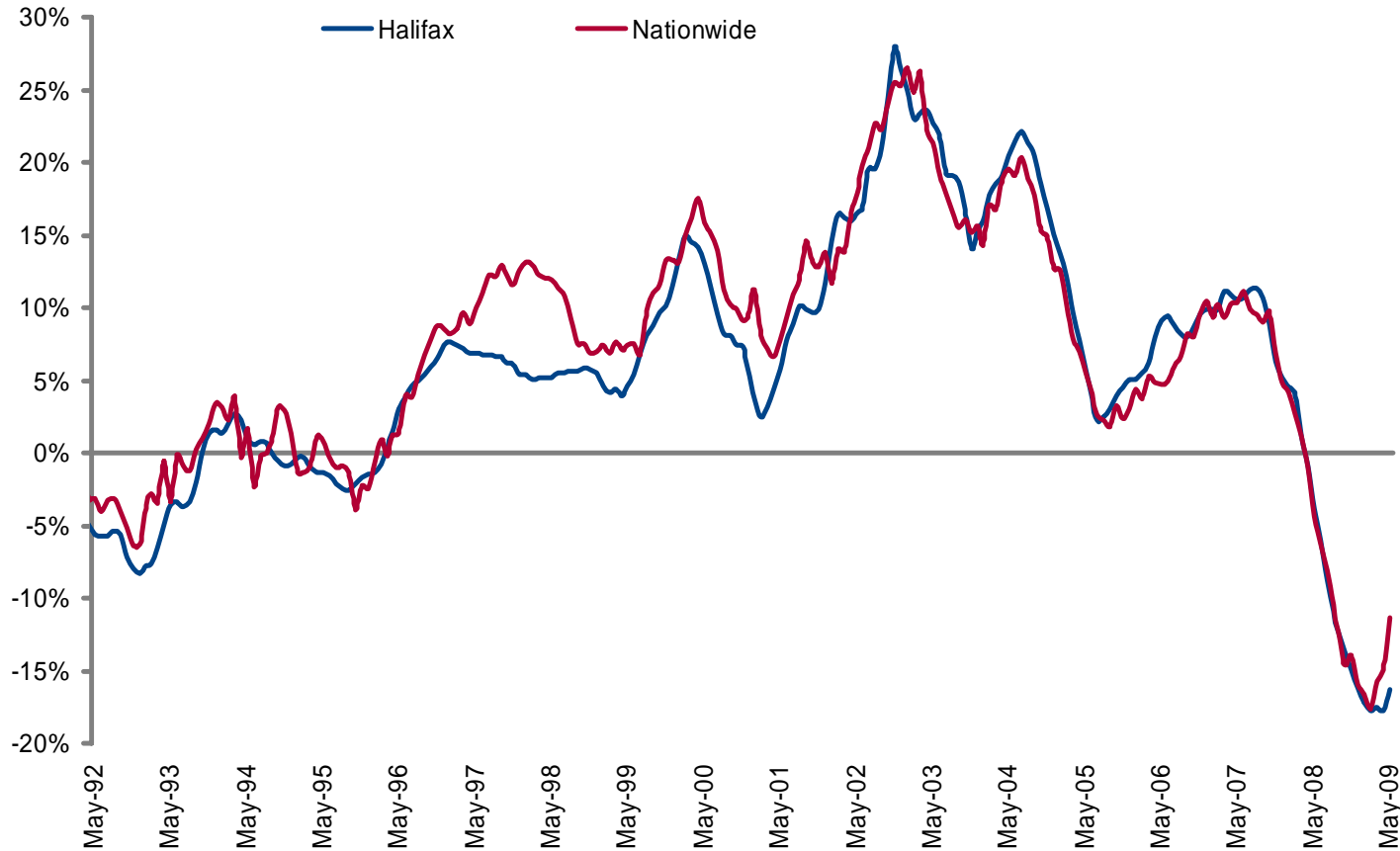
Among all aged 16+, 3-month averages, seasonally adjusted

Data to April 2009



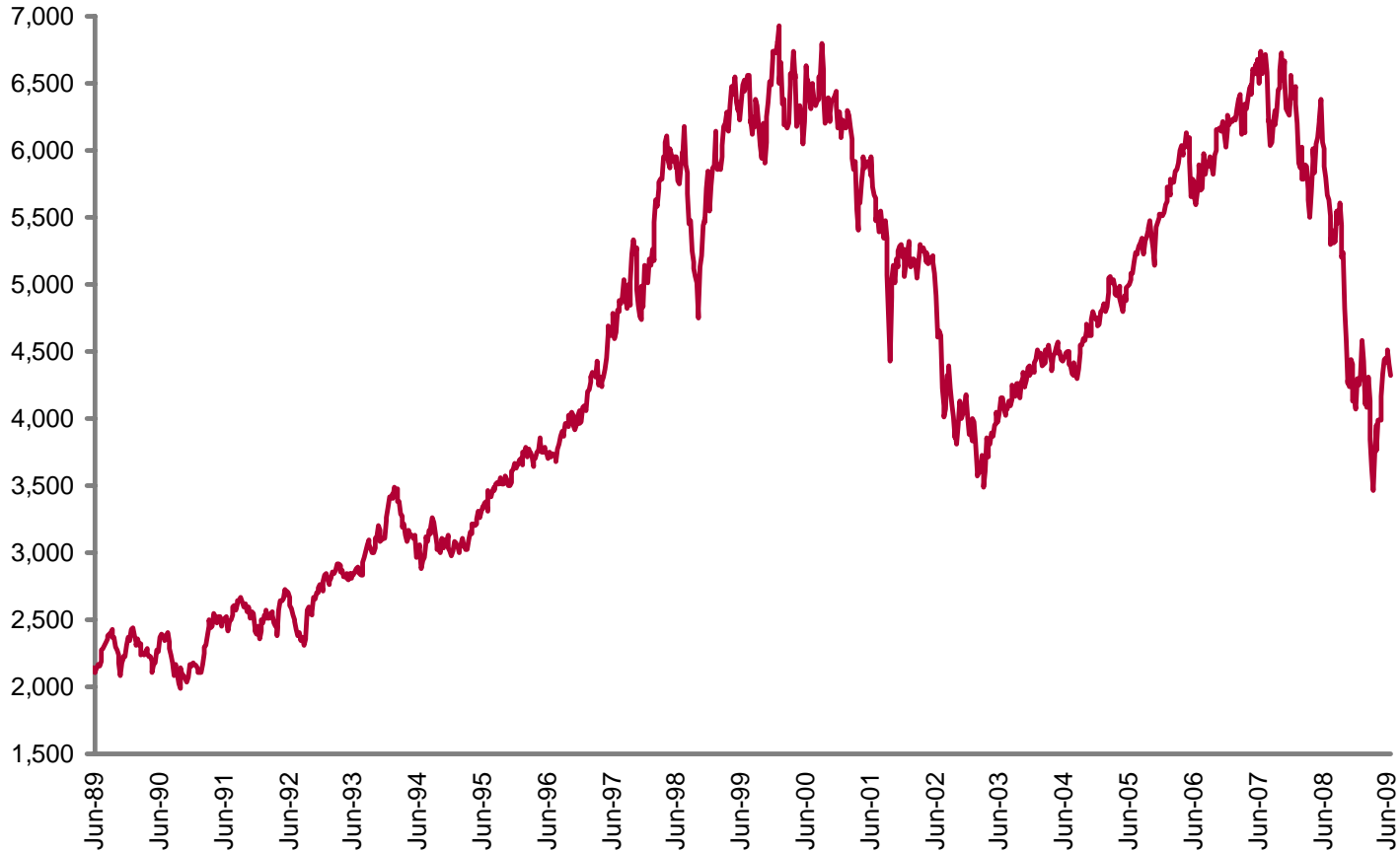
# UK house prices – Year-on-year % growth

Data to May 2009. Halifax data from 1984 within chart.



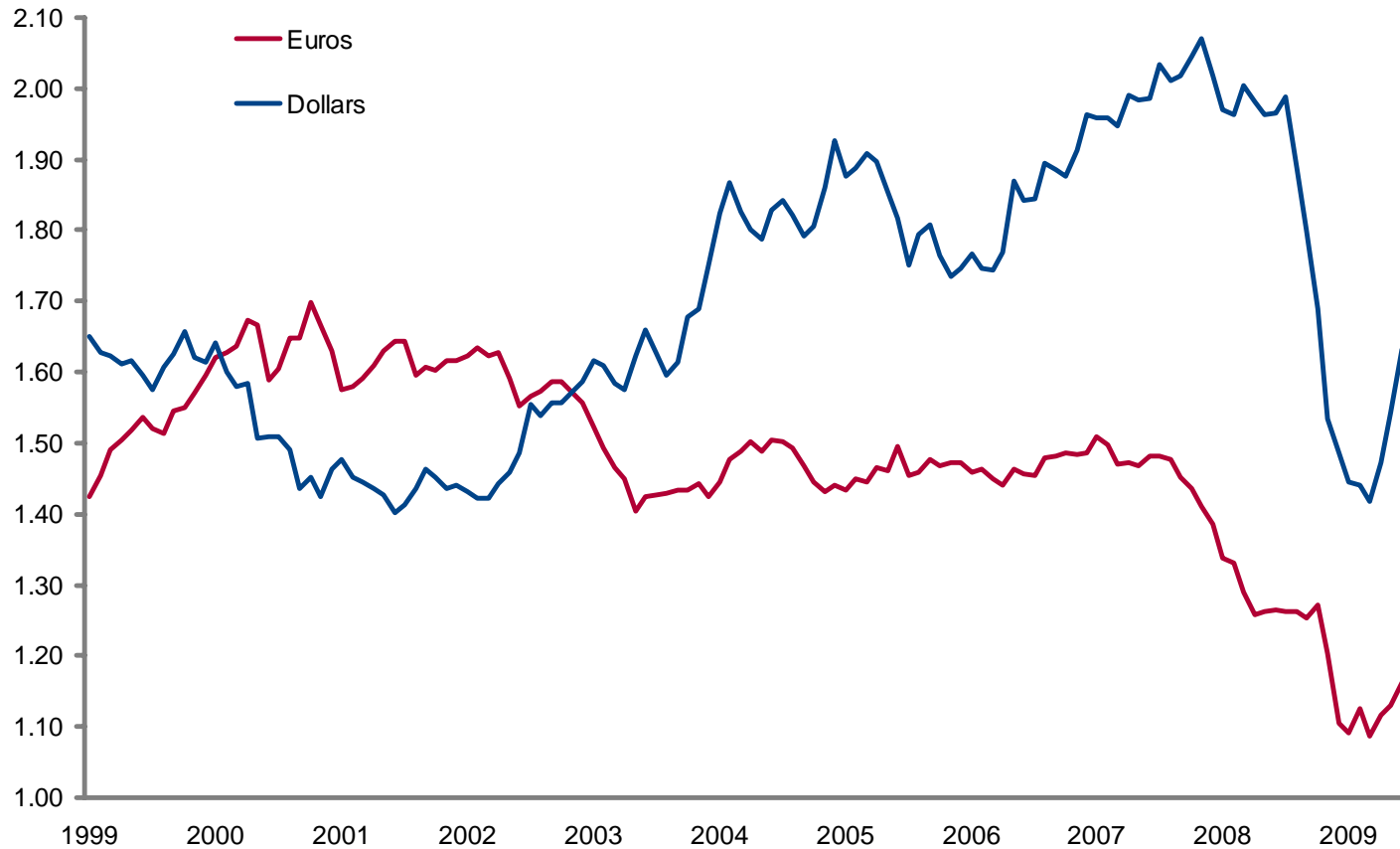
# FTSE 100 share index

Figures shown are at the close of market trading every Monday. Data from 1984 is included within the datasheet.



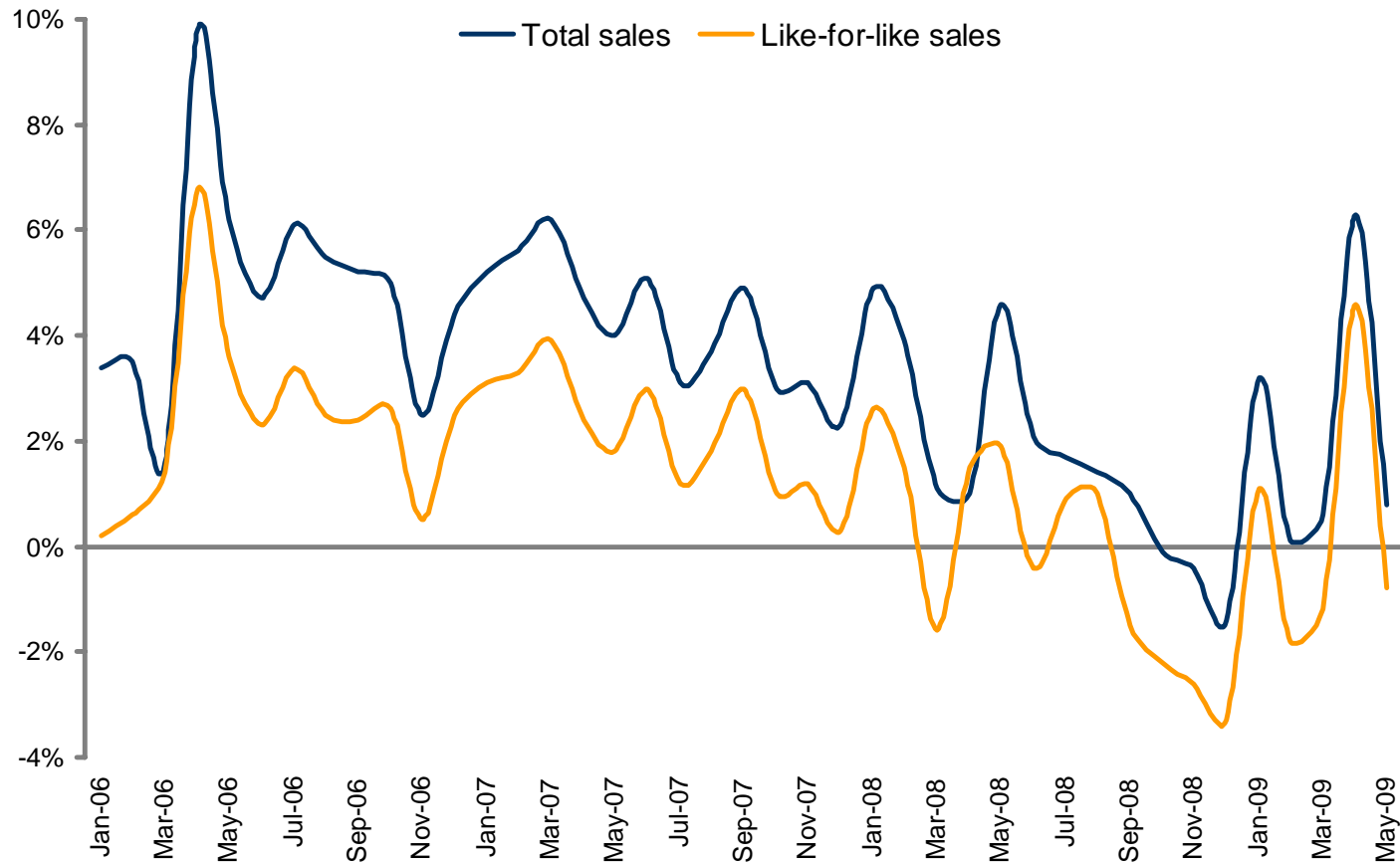
# The value of Sterling

Value of £1 in terms of Euros and US Dollars. Monthly averages. Data to 16<sup>th</sup> June.



# The value of retail sales

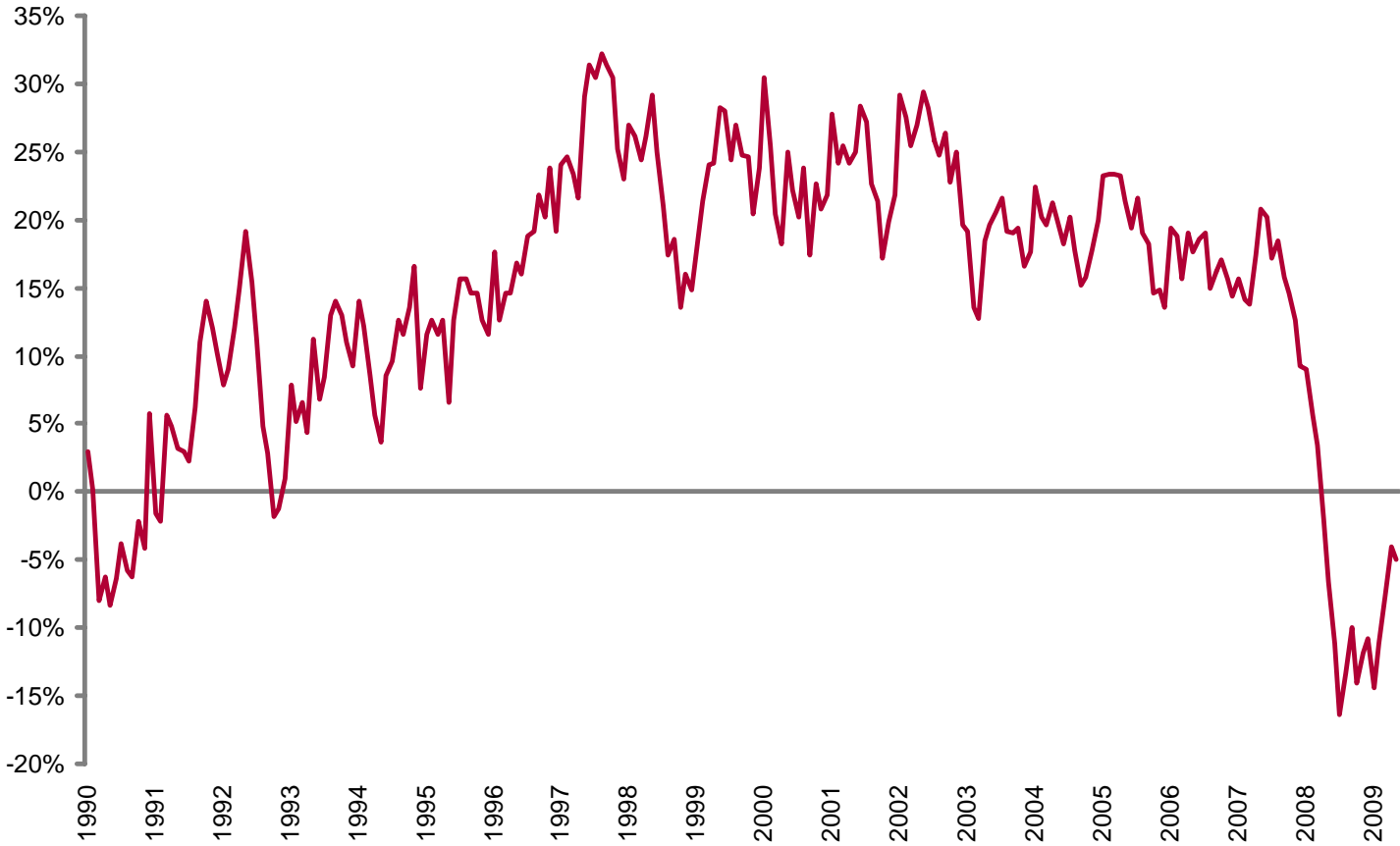
Year on year % change in sales



How do people feel in a recession?

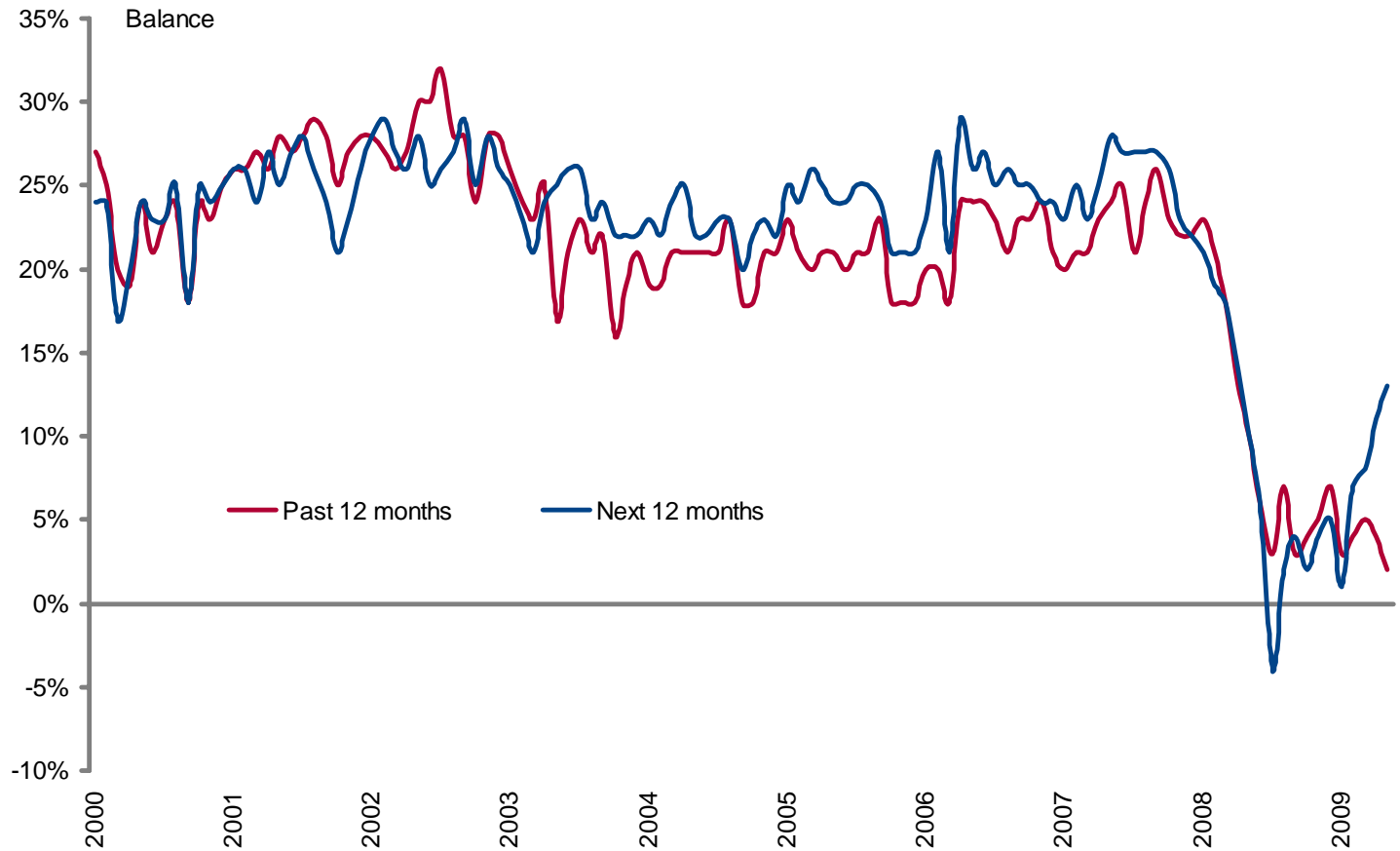
# Consumer confidence index – Monthly

Data up to May 2009



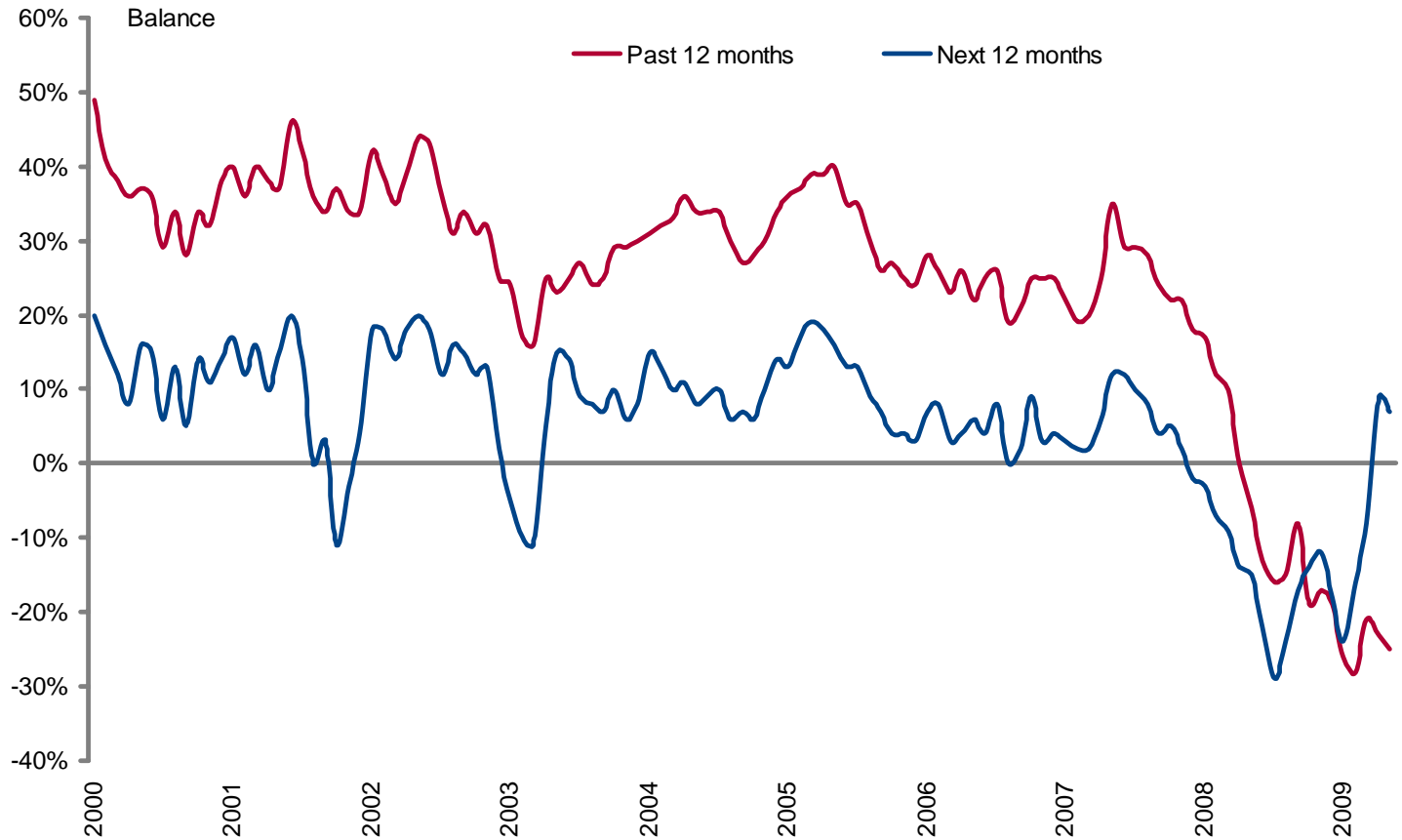
# Optimism about household finances

Data to May 2009



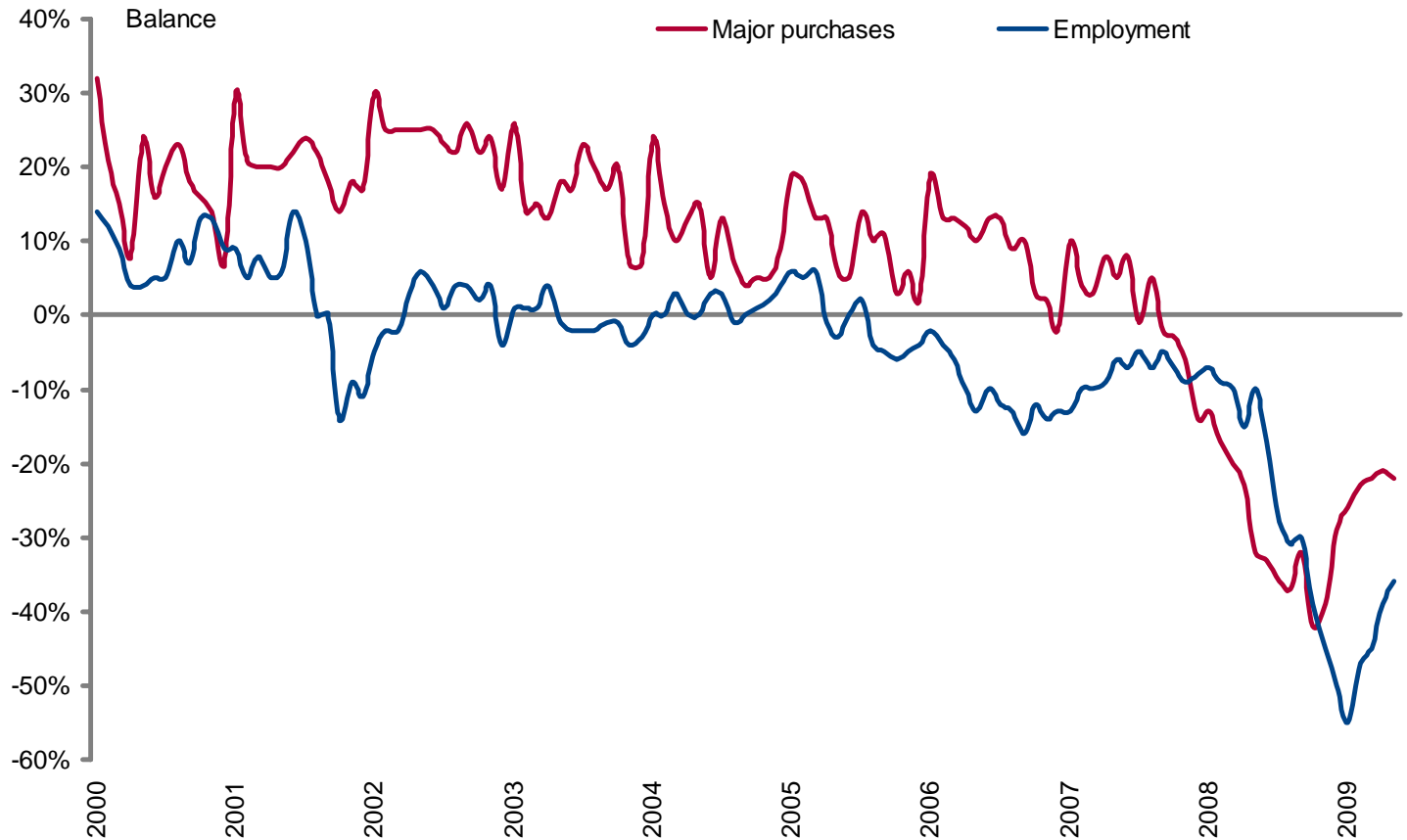
# Optimism about the UK economy

Data to May 2009



# Confidence about employment and major purchases

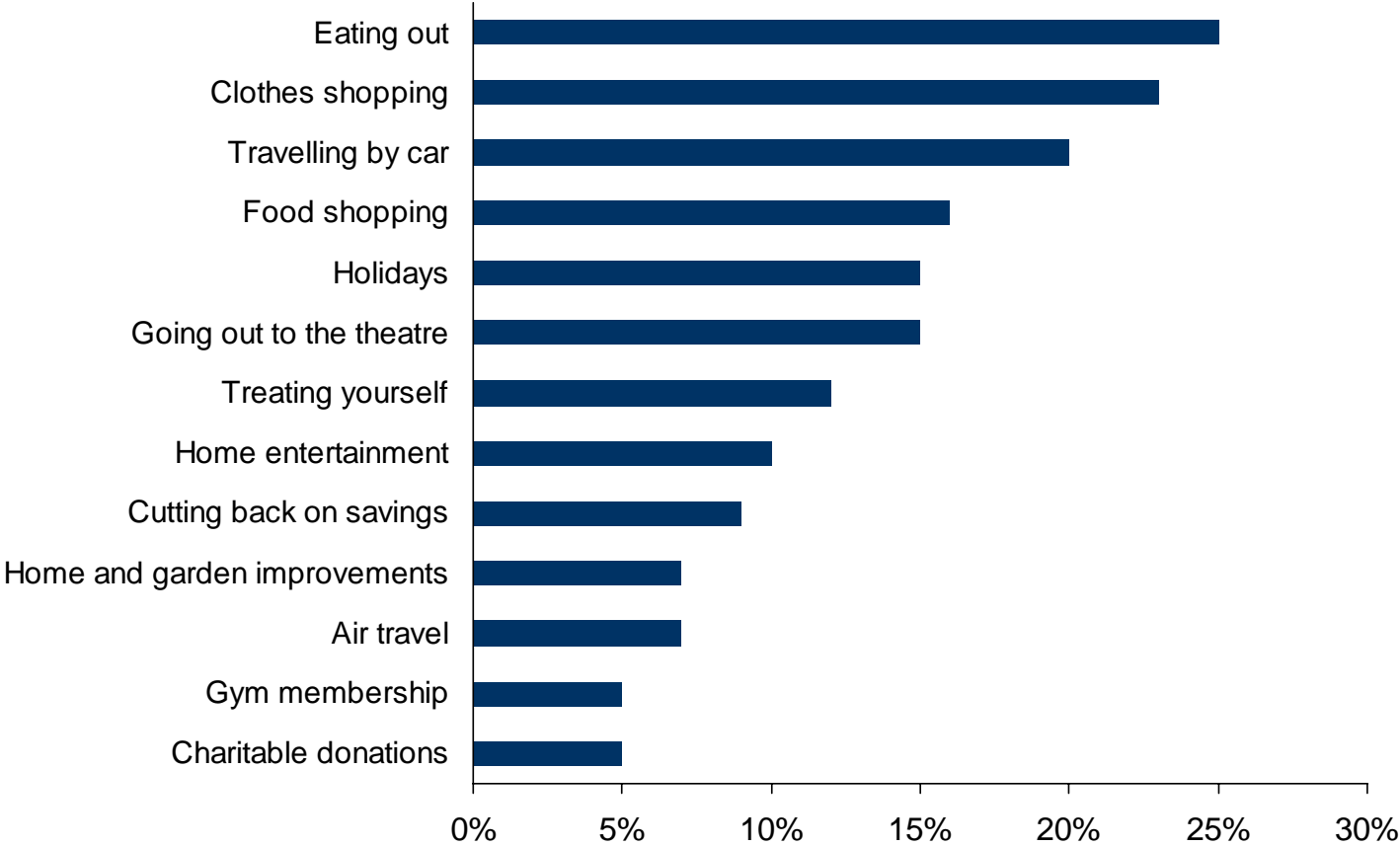
Data to May 2009



# Areas people are economising on

% of shoppers who have economised on the following activities in the last 6 months

“Have you economised in the last 6 months on any of the following?...”



Source: Institute of Grocery Distribution (IGD)/nVision  
Base: 1,002 respondents aged 18+, GB, 2008

Five ways to respond in a recession....

A simple rule: most things that are done in a recession would make sense outside a recession

# Response 1: Cut costs

## Cut fixed costs

- Staff are fixed costs
- Focus on support staff
- 1 to 10 not 1 to 1
- Create sustainable savings
- Focus on rent

# Review variable costs

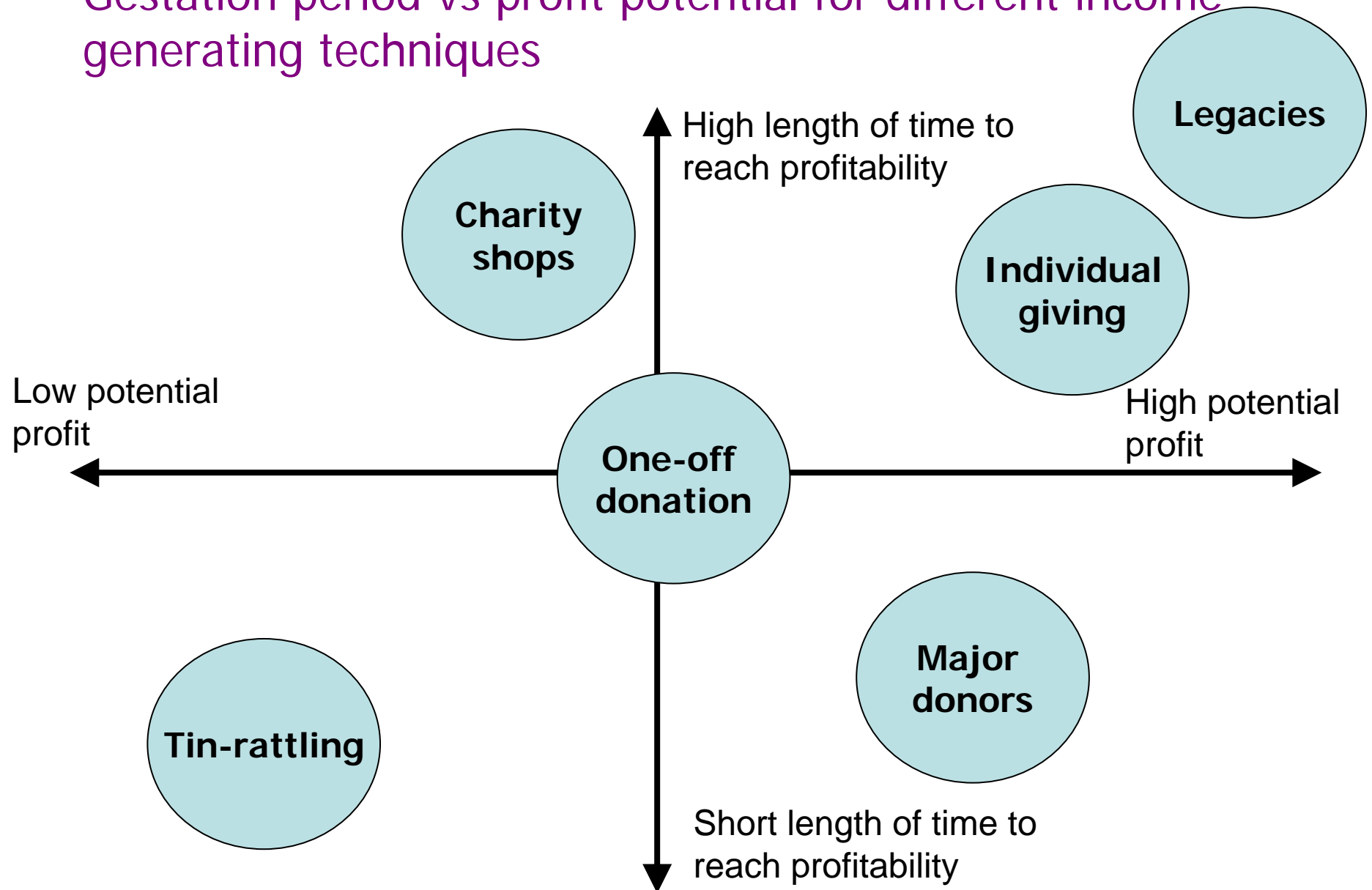
- Print
- Travel
- IT
- Properties
- Training
- Postage
- Consultants
- Research

# Response 2: Invest wisely in growth

# Prioritise expenditure which delivers shorter-term results

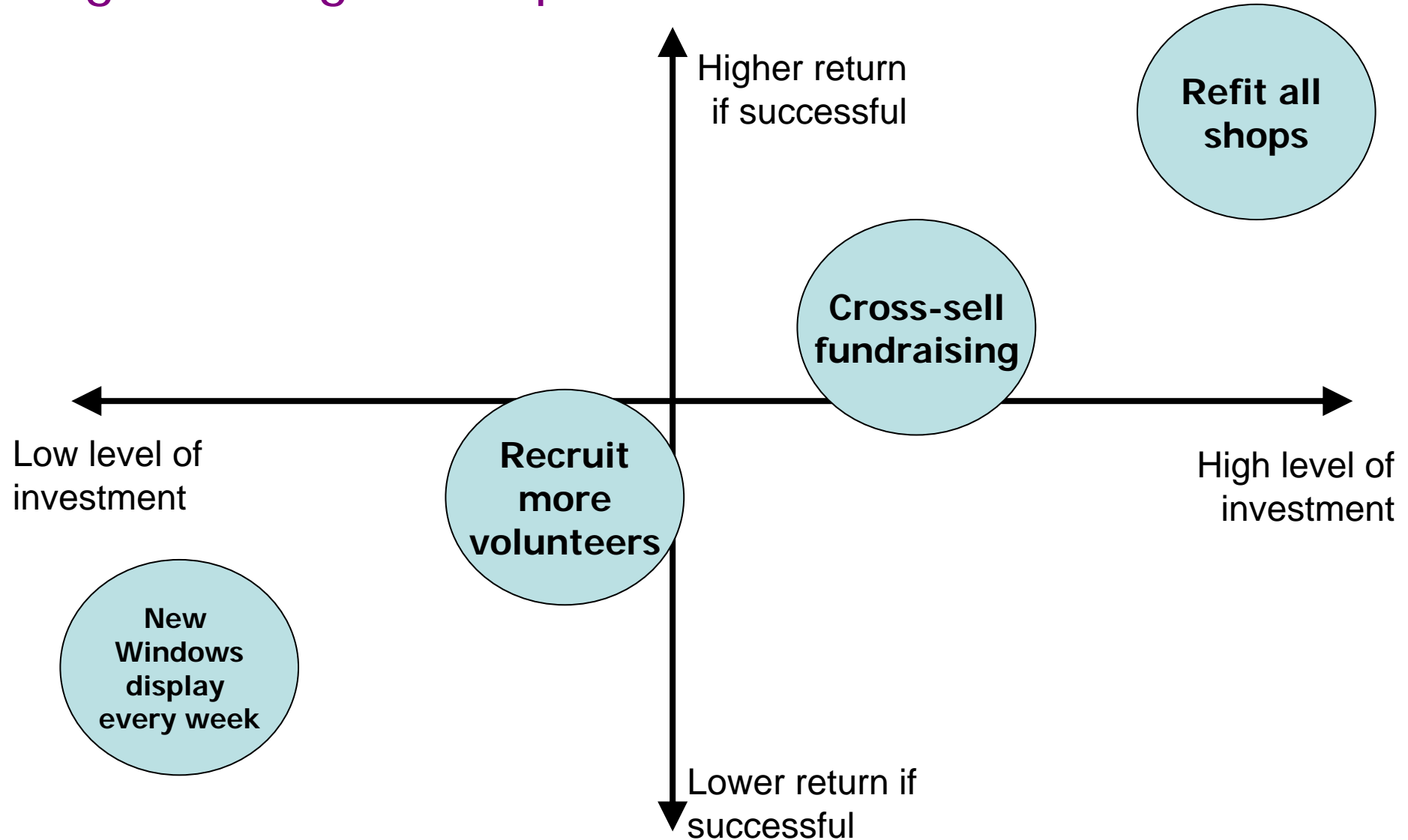
- How long before profitable
- How much profit
- How much risk
- Which target audiences

# Gestation period vs profit potential for different income generating techniques



Create a balanced portfolio of risk and return

# Risk vs return matrix for different shop income-generating techniques



# Response 3: Have a clear turnover strategy

# Have a clear turnover & profit strategy

- Helps decide the most importance activities
- Helps makes decisions about where to invest resources
- Stops tactical responses to the latest opportunities
- What are your top five priorities for the coming year?

# Developing ideas for growing your turnover & profit

- The next chart helps identify the options
- The key is to systematically explore each of the options – using brainstorming, desk research and competitor analysis (and brutal self analysis)

# Identifying your strategic options

**Increasing net income**

**Increase revenue**

**Cut Costs**

**objective 1.**  
Increase revenue  
by increasing the  
number of  
customer

**objective 2.**  
Increasing income by  
increasing the value  
of each customer

**objective 3.**  
Cut fixed or variable costs

**strategy 1.**  
Increase no.  
from existing  
markets

**strategy 2.**  
Increase no  
from new  
markets

**strategy 3.**  
Get relationships to  
last for longer

**strategy 4.**  
Increase value of each  
relationship activity

**strategy 5.**  
Get customers to do  
more each year

**strategy 6.**  
Cut variable  
costs

**strategy 7.**  
Cut fixed costs

**BRAND-BUILDING ACTIVITIES**

# Response 4: Do something different

# Innovation from the charity shops world

- Rethink where get stock
- Rethink where you sell
- Refit to give you new appeal
- Create employee apprenticeships
- Act as an agent for fundraisers
- Be a specialist not a generalist
- Everything you take for granted – rethink!!

Response 5: Start preparing now for the next recession

Any questions?



nfpSynergy

helping non-profits thrive