|  |  |
| --- | --- |
| ***Downturn/Recession Strategies*** | ***Evaluation*** |
| *Close facilities as demand falls and excess capacity increases.* | * Job losses will damage employee relationships and reduce job security for staff remaining.
* If downturn is short lived then reducing excess capacity could result in a problem of inadequate capacity – how long will downturn last and how serious is it likely to be?
 |
| *Develop new products that will appeal more to customers as their disposable income falls.* | * May damage the firm’s reputation and brand image.
* Not all consumers will see a fall in their disposable income.
 |
| *Lower prices in an attempt to maintain or grow sales.* | * Could lead to price wars, reducing profits for all firms in a market.
* May damage brand image.
* Demand may be price inelastic and revenue will fall.
 |
| *Buy up assets cheaply from other businesses – or acquire other businesses for a low price.* | * This will need to be financed which could be a risky strategy. What if banks aren’t lending?
* Business could become too big and suffer from integration problems such as diseconomies of scale.
 |

**Business Strategies & The Business Cycle**

**Unit 4 A2 Business Studies**

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| ***Recovery/ Upturn/ Growth Strategies*** | ***Evaluation*** |
| *Use existing capacity and increase output to meet rising consumer demand* | * Low risk strategy as no additional capital investment is required.
* Could mean workers are overloaded and become demoralised.
 |
| *Expand capacity to meet increases in consumer demand.* | * Risky Strategy
* Borrowing may have to increase creating a reliance on liabilities.
* Can the firm estimate the increase in demand and just how long the period of economic growth will last?
* If other firms make the same decision, then any increase in competitiveness may just be eroded away!
 |
| *Research and Develop New Products which will be income elastic* | * The process takes a long time and is costly.
* Business could lose focus on its primary objectives or product portfolio.
* Could lead to increases in sales and the developing of a competitive advantage.
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