

## Starting a Business in a Recession

Boom time is over and there's a recession on the horizon.

So is it time for aspiring entrepreneurs to hunker down and wait for the sun to come back out before starting a business?

Not at all.

Recession does indicate a contracting economy but it doesn't mean that businesses across the board are shrinking and dying. Many businesses and industries buck the trend by growing through the downturn.

You can increase your chances of running one of these businesses by starting a business in an industry that tends to remain resilient, or even prospers, in economic downturns.

So which types of business are good to start in a recession?

Start a business selling essential goods or services

Most businesses are discretionary, meaning that their products and services are non-essential.

Essential items tend to be bought in roughly the same quantities whatever the economic weather. Businesses dealing in food or shelter, two of life's most fundamental needs, tend to be resilient in an economic downturns.

There are stark exceptions, however.

Restaurants are enormously susceptible in a recession as the difference in cost compared to eating at home is huge, so meals out are often the first thing to go when people have less money in their pocket.

And the mortgage market can seize up in tough times, like at present, where there's a squeeze on credit. However, people always need somewhere to live so the lettings market, by contrast tends to remain stable.

Other examples of businesses bracketed in the essential category are law firms, funeral parlours, healthcare businesses, law firms, schools and home maintenance businesses.

Start a business selling guilty pleasures

And yet, somewhat paradoxically, people often increase their spending on non-essentials too, on indulgences.

For example, Cadbury's announced a 28% jump in profits in July, and analysts suggest it was, to an extent, because of the recession rather than despite it. In gloomier times people often turn to comfort eating and buy chocolate, ice cream and other treats to make themselves feel better.

People do tend to be more price aware, however, so the emphasis is on affordable luxury. So they're more likely to plump for Cadbury's Dairy Milk than Hotel Chocolat truffles.

Start a business selling budget goods

Starting a business selling budget ranges are, unsurprisingly, more prosperous in lean times.

'Everything for a pound' shops tend to do well. And with the credit crunch making bank loans hard to come by, pawn shops and cheque cashing shops are enjoying a spike in custom.

In contrast to restaurants, retailers selling budget food ranges are very successful.

Start a business selling goods and services used by the over-50s

They've got equity in their property, and they've got savings so their earnings rise with interest rates: over 50s have more to spend than younger age groups and they're also more resilient in a recession.

#### Buy a franchise

An established franchise will invariably stand a better chance of thriving than a start-up. Many franchise brands have come through previous recessions unscathed so you can be confident they'll have the means and savvy to do it again.

When the economy contracts some businesses inevitably go under. With their time-honed, streamlined processes and systems, franchises are usually leaner and fitter than their rivals and much less likely to fall by the wayside.

#### About the Author

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