

## Small Business Assistance Office

# Tips for Business Plans During the ‘New Normal’: Markets and Prices

View our [Tips for Business Plans During the ‘New Normal’: Markets and Prices](#) in our [business video playlist](#).

In the video “Tips for Business Plans During the ‘New Normal’: Markets and Prices” we noted that small businesses that are “price takers” cannot by their own actions substantially affect the prices of their products either up or down without either loss of market or loss of revenue adequate to keep the business a going concern. True price takers in the economic sense operate in markets for commodity products like computer chips, nut and bolts, paper bags and packaging where there is little to differentiate products and buyers will move from one vendor to another for a very small cost saving.

The Pandemic has, through supply chain disruption, market disruption, distribution chain disruption, loss of customers or delay in customer orders, put many small businesses in price-taker-like situations where revenues have declined while costs have stayed the same or risen and the ability of the business to adjust its prices is very limited.

The textbook solution for this kind of problem is to reduce variable costs —especially personnel—while retaining and servicing the costs of capital equipment and capital assets. This solution did work for many businesses in the early days of the Pandemic because the federal government provided funds to businesses to avoid employee layoffs —effectively underwriting the costs of labor for the business—and by providing enhanced unemployment benefits for employees who lost their jobs. At present, however, such cuts in personnel may have an adverse consequence. Minnesota’s unemployment rate in mid-August, 2022, is 1.8 percent and the national inflation rate is 8.6 percent. A business that cuts employees now may not be able to get them back or get replacements in a timely manner. In any case, inflationary pressure on wages will make the costs of employees greater.

An alternative action is to change or enhance the scope of the business products into less constrained markets that share at least some of the same or similar manufacturing processes. Makers of paint and makers of glues and adhesives, for example, share some commonalities of production. The aim here is to have a revenue generating product that uses the same amount of labor input and the same amount of capital services input. The business may decide to leave the original market or reduce the size of the operation in the original market and instead continue long-term focus on the new market.



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