

Question of the Day: How can small businesses regain th...

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I have [mentioned Bob Edwards' suggestion](#) that there be a question of the day on this blog.

This was Bob's opening question:

How can small businesses regain their feet during the present COVID-19 crisis?

Bob's suggested answer was:

I would offer: try marginal pricing.

Turnover is comprised of direct costs, fixed costs and profit(loss). At the very least businesses could exclude the profit element from their prices to make a contribution. A widget sold for £100 (pre-covid19) with a direct cost of £30, fixed costs recovery of £30 and profit of £40, could be sold for £60 and the financial position of the company in the short-term would be unaffected?

Bob's answer is one way of addressing this, and comes from an accounting perspective., I too am an accountant, but use a different lens.

For me there are three answers to this.

First, business has to make sure that it is not over-ambitious when it restarts: the risk of over-trading is really high.

Second, that means it needs to focus very strongly on what it is that is most likely to be useful, and so desirable, amongst all the things that it does when it begins the recovery from this crisis. The fact is that for some time people's thinking will have changed. As example, this is the classic occasion when few will be buying high ticket items. The couture industry long ago learned that most people could not buy its products. But then they put their labels on lipsticks and they sold them, in large numbers. I'm not encouraging lipstick sales: what I am suggesting is that working out how to meet demand when people will be cautious and so spending carefully is key to recovery.

Third. I'd suggest this is the perfect time to ask big questions about where the business is going. Wherever that is it's almost certainly not where any manager thought it was heading in February.