

## Ep #223: Getting Recession Ready



### Full Episode Transcript

With Your Host

**Tobi Fairley**

[The Design You Podcast](#) with Tobi Fairley

## Ep #223: Getting Recession Ready

You are listening to *The Design You Podcast* with Tobi Fairley, episode number 223.

Welcome to *The Design You Podcast*. A show where interior designers and creatives learn to say no to busy and say yes to more health, wealth and joy, here's your host, Tobi Fairley.

Hey there friends, happy summer. I hope you're staying cool. I hope you're having so fun as these days get longer this time of year. It won't be but a minute that they're starting to get shorter again. I know I say this every year at this time but I'm always thinking as we turn into July or so, June to July in the summer that Christmas will be here in a blink and this year will be over. So, enjoy it while you can. And I hope that in the last week or so you've been able to create a little more space in your life for your feelings and your emotions.

In the last episode when I addressed joining me in the fight for women's rights. And I addressed the complicated nature of Independence Day in the US. I know it probably brought up a lot of emotions for a lot of you. So, I hope that you now are getting some time to calm your nervous system, to care for yourself, to gather your thoughts and to decide how you want to show up in response to the continued uncertainty we face daily in America and around the world. Today I want to talk about a topic that scares a lot of people, speaking of calming your nervous system.

And that's whether or not a recession is coming. And we are hearing about it on the news constantly. We're experiencing high inflation, out of control gas prices, the oil companies are making a fortune yet we are paying for it at the pump. But The Fed, the Federal Reserve raised interest rates at their June meeting a few weeks ago and now we're waiting to see what happens next.

So, in true Tobi fashion, just like last week, just like every other episode in my truth telling. I'm hitting this head on and I'm breaking down for you what I'm thinking about and how I'm helping our clients and our students, and how my team is helping our clients and students, and how I can help you when you're thinking about the recession. So, let's dig in.

[The Design You Podcast](#) with Tobi Fairley

## Ep #223: Getting Recession Ready

So, I've been in business for about 23 years. And I have definitely experienced recessions, the big recession of 08 and 09 was a period in business that I'll never forget but maybe not for the reasons you think. The great recession was very challenging and it was challenging for me as well. But mainly for me it proved to be a time where I leaned into innovation and creativity more than ever. And it's remarkable what happens when something like a recession or an impending recession gets your attention.

And because of that 2008 and 9 recession my consulting business was born. And it's now a million dollar business that includes our Design You coaching program, our Millionaire Mentorship program, consulting work we do with private clients. Well, and let me also say before I move on, this podcast really is an extension of that recession too because most of what I talk about here is generated from my work as a coach and a business consultant much of which I learned as a result of going through that recession, pretty cool.

So, let's dig in a little bit to what I'm hearing, what I'm reading, what I'm hearing, what I'm learning about what could be coming later this year and early next year, what I think about it, what you might want to be thinking about for your business. And yeah, how to get ready if we do in fact move into a recession in the coming weeks or months. Okay, so a lot of you are creatives, some of you pay attention to a lot of this stuff like me, some of you pay zero attention to it. You don't pay attention to the media especially when it comes to interest rates or the economy and I get that.

As a whole, creatives don't love thinking about ourselves as businesspeople. We don't think we like numbers, or math, or financials. And when that part of the news is on we often tune it out if we listen to any news at all. Now, that's not to say that there aren't plenty of you that are nerds like me and that geek out on listening and understanding this stuff. And so, I definitely get that there are some of you that are absolutely paying a lot of attention to all the business and economic news.

So, my preface was not to say that I'm underestimating any of you. I'm just acknowledging that not everyone pays attention to this stuff like I do. So, if

## Ep #223: Getting Recession Ready

that's you then no worries because I've got your back. So, here's the short version and a very generalized version of what is currently happening in the economy and I do not claim to be an economist at all even though I have an accounting degree and an MBA and I'm very well read, and I'm fairly smart. I'm not an economist.

But here's what I do know. Because the Federal Reserve did raise interest rates a few weeks ago, at their quarterly meeting, in order to help combat inflation, many experts believe that this interest rate hike may send us into a recession. It's really a balancing act to get inflation down by using interest rates without sending us into a recession. So, banks are saying there's somewhere between a 33 to 66% chance of a recession in the near future.

But what kind of a recession we don't really know. Is it going to be just a little bit of a softening of the economy and sales? Or is it going to be something much more severe than that? Only time will really tell. The reason that the recession would or will happen is that when interest rates go up, lending slows down, a lot of times house sales or home sales and home building slows down as you can imagine because it becomes a lot more expensive to get a mortgage, to borrow money.

And you're essentially getting a lot less money or a lot less value for the same amount of money when you borrow at this higher interest rate. So, if that happens, if housing sales slow down then more housing inventory becomes available which we have had a major shortage of housing but if more inventory becomes available that impacts the pricing of houses, they'll go down. We've heard of all these bidding wars and people paying far beyond market value for houses.

So that, if you want to call it a bubble or just an adjustment, bubble bursting or an adjust happening in real estate is definitely a possibility. Also, when a recession happens, consumers typically stop spending as much in general which can lead to all sorts of things like layoffs of employees, so the unemployment rate will be impacted. People will be out of jobs. And also, it impacts retail stores and manufacturers if people aren't spending as much on their goods and services.

## Ep #223: Getting Recession Ready

And all of this to say a recession definitely can impact industries like ours, like the residential interior design market, event planning, anything that seems extra, or extravagant, or a luxury, or something people can wait on as long as people's basic needs are met. In recessions other things start to become less of a priority. And so, imagining if home sales and home building do slow a great deal and also product sales slow, then that could have a big impact on a lot of the work that a lot of us do.

Now, what am I hearing that this recession is likely to be similar to? A lot of people don't think it's going to be like the great recession in 09 but that it may look more like what happened in the 80s. So, I'm 50 years old and though I was alive for the recession in the 80s I don't remember it from any sort of a business perspective. I was eight or 10 years old. And I just remember my parents talking about how crazy high the interest rates were. And they've told me that as I've grown up, back in the 80s.

Any time I get a really good interest rate, 3% or something, a few years back when I was buying a house, they're like, "Oh, I remember when our interest rates were 30% in the 80s", or something crazy. So, I'm really too young to remember what those numbers were or to really understand what it meant. But I certainly was not impacted by it personally in the same way. The only thing I was selling in the 80s was at my lemonade stand, a little Country Time and some brown edged wafers that I bought at the store.

And the recession wasn't too hard on my lemonade stand sales. If I recall, one week I made about \$80 back in the 80s from my lemonade stand. It must have been really hot that summer. All the kids in the neighborhood were really hitting the stand. But in all seriousness, just because a recession won't be as bad as the 2008 and 09 recession across the board, if that becomes true, doesn't mean that businesses won't be impacted or even go out of business with an economic downturn.

So, what should we do with this news? How should we get ready for a recession? Is there such a thing as recession proofing your business? And what am I doing personally in this time of continued uncertainty on the heels of the last two and a half years of major uncertainty of a pandemic? I

## Ep #223: Getting Recession Ready

mean can we even take any more stress and uncertainty? Yeah, it's kind of hard to imagine.

So first again, I do not pretend to be an economist even with my background in accounting and my education, and understanding the economy in the US and abroad is complex and often confusing. But here's what I do know for sure can help small businesses. I first recommend that if you are not extremely clear on your finances in your business, you cannot wait another minute to get really clear. Data is power when it comes to understanding your numbers. And I meet with my CFO every other week.

In the 08 and 9 recession I met with my CFO every week. I always know exactly where we stand with sales, with revenues, with profit, with our cash reserve, what our projections are for sales in the coming weeks and months so that I can be nimble and move quickly if needed and know exactly what we're spending on and what our options are if things change. So that's step number one. If you don't know how to get clear on your finances, DM me on Instagram @tobifairley and tell me so. I'm going to help you how we help our students do that in Design You.

I'm going to help you get moving in the right direction there because it's beyond important to fully understand this part of your business. Okay, after that, next I go through the exercise of brainstorming possibilities and believe it or not, worst case scenarios. And I do that now, not when the recession has hit, not when I'm freaking out but right now when I'm hearing of something that may be happening so that I'm prepared no matter what comes to pass.

Now, I suspect a lot of you hate this idea. You're like, "Why, Tobi, would I worry about something that may or may not impact me?" But here's what I want you to know and here's why it's really important that you do this now. So, you've heard me talk about the model, the thought model, the think, feel, do cycle, how we think a thought about something and then feel a feeling. And then we move into action. That's the do part.

And we go through the think, feel, do cycle, multiple times a day as humans and we go through this in particular any time we're thinking about a

## Ep #223: Getting Recession Ready

particular circumstance like a recession and that's when things happen in our lives. So, we have a thought or several thoughts about say the recession and those thoughts create feelings and they lead us to actions or inactions. Now, here's the reason that it's important to do this now.

If you were to wait until a recession becomes a reality for you and specifically has already started impacting your cash flow, your future then when you start thinking about it at that moment and what you need to do. You're likely going to have very different thoughts, very different feelings and very different actions about that recession than you would have right now if you were thinking about it ahead of time when it's not actually impacting you at this moment.

Because if it's just a possibility and it isn't directly creating a consequence or a problem for you right now, you're not going to feel the same amount of worry, or panic, or stress. So, if you're already being impacted by the recession your thoughts are likely to create feelings of fear, insecurity, panic, something to a degree that's not present for you right now today. And when we have feelings like fear or even panic, we often respond with actions that aren't really helpful. We think it would move us to motivation but that's not what happens.

Those feelings typically produce a nervous system response that's in the fight, flight or freeze realm and a lot of times it's the freeze response. We might fight and get angry and frustrated, which can still not create great results. We might go into flight mode where we just ignore it, bury our head, get busy, run away or oftentimes we freeze. So, when we panic or we move into fear we freeze and we just don't know what to do.

And so little action or little progress comes from freezing as you can imagine. It's like being paralyzed with fear and not knowing what to do next, or not even be able to do anything. So, if you can imagine what feelings produce the best actions in times of crisis, especially financial crisis, or fear, the most creative solutions and the most opportunity for you in your business are not going to come from panic and freeze mode. I don't think

## Ep #223: Getting Recession Ready

you would say that fear or panic are the best feelings to create the result you want.

And so, we sometimes get confused about this. We believe a big problem can equal big motivation and it will move us to action. But actually, big problems often create that fear or freeze response or move us to procrastination. And it's really thinking about the opportunities, not the problems that better move us to positive action. We have to have hope, not despair to move to positive action. So as soon as I started hearing the rumblings about a recession several weeks ago or months ago I had a brainstorming session with my own team.

We held that brainstorming session about worst case scenario, what are all our options, who else and what else can we monetize? Is there anything that we might want to start doing? And we did this same thing in both my Design You program and my Millionaire Mentorship program. And we're going to continue to have these conversations all the way up to and through any recession that we are impacted with in the next several weeks or months.

All of my team love this, my students love this approach. They felt so much safer to create from this place, to consider options when it wasn't already a problem. And we all got the benefit of this greater discussion in this masterminding and brainstorming type of format and this workshopping type of format because we workshopped real ideas, for what directions each of us on my team, or each of the businesses we working with in our programs could go in worst case scenarios or in, if their regular services just weren't an option or either slowed down and weren't covering the bills.

We really looked at what and how they could mitigate this problem, could mitigate their cash flow issues or lack of revenues in a different way. We also spent a lot of time with my own team and in both of our programs with the question, what does this make possible?

And I love this question so much because it's the very question I used to create my design camps and my consulting business during the 2009 recession. I'm like, "Okay, if this work goes away what does this make

## Ep #223: Getting Recession Ready

possible? What do we have the time to do now? What would we maybe not have stopped to do or been afraid to do that now we absolutely are willing to try?” So, this is a very important question that you can ask yourself, what does this make possible?

Most of us focus on the problem and on our fears when something like a recession comes up. And few of us are asking what can we do now that we couldn't or wouldn't have done before? And again, this is the reason to go to this place before you can't make ends meet, before you see the cash drying up in your bank account. Most of us don't step away from our regular services even if they aren't thriving.

But if something changes where they're not selling at all and we have nothing to lose but to try something else, that's when we really start stepping into stretching our minds and our options. And trying things we may have felt we didn't have time to or didn't know how to, or we were too afraid to before. So, what could you do instead? Could a recession give you time to create a new scalable product that you've wanted to try or thought about trying?

Could it give you time to work on your systems or hiring? That's what we did in my company during the pandemic. We worked on getting all of our systems really running so well, and we hired and created a lot of diversity in our team. Also, could you use a recession or that type of a downturn as an excuse and an opportunity to pivot in some way that you've been dreaming about. Are there team members or skillsets that you currently have on your team that you could leverage in a way that you hadn't really thought of before?

In one of our communities when we were doing this brainstorming exercise, one of the members said, “A lot of people have asked us to make creative assets for them like logos and other things for my marketing team because they love what we're doing for ourselves.” So maybe we could monetize our marketing assets and people. That's the very kind of thing that you start to imagine when you're having to think out of the box. So how else might you add value to your customers?

## Ep #223: Getting Recession Ready

Because a shift like a pandemic or a recession can get our attention and help us really dig deeper to figure out what our clients and our customers actually need right now as the economy is changing. How can we offer what they need now even if it's not what they needed a month ago or six months ago, how can we offer that in a way that is profitable for us and helps sustain our business but is exactly meeting them where they are and giving them what they need? That is a win/win in a situation like this.

And here's the thing, growth always happens when things get hard. Most big ideas come when we have no option but to adapt or die. A lot of times they feel like a last ditch effort in some ways. But you have no other option but to innovate or to pivot in moments like this and that's when big things, just like my consulting business come to life. And the time to start considering the pivot, or the change, or the addition, or the shift is prior to when you desperately need it which means now, start now, friends, thinking about this.

And your brain's going to be like, "But we're still so busy right now, Tobi. And I can't imagine making space for this." But if a recession hits just like the pandemic hit. And business as you know it dries up in a blink you are going to be so frustrated that you hadn't already made space for what you will do if this thing comes to pass. One of the good things for the home industry in particular is that we are still spending a lot of time at home.

The pandemic got us into that habit, a lot of people are still working from home and don't intend to go back to the office, or never intend to work the hours they did before. So, there is still a hope and a chance, and a promise that there will still be strong demand for spending in our spaces.

And depending on how you're focusing your services to meet clients needs potentially around wellness, or mental health, or connection with family, or other consumer desires that they have right now. While they are trying to stay well and to stay healthy, and to stay focused during all of the things we've been going through and continue to go through in the world. Then it may not feel like so much of a luxury but maybe a necessity that they spend money on their spaces so that they can function.

## Ep #223: Getting Recession Ready

And so that's a good thing. Also, the mid-range to high end markets will have more disposable income even in a recession as you can imagine than the lower end of the market. Where clients really do have to choose between basic necessities like gas money and expensive groceries instead of their health and wellbeing, by spending money on their spaces. So sadly, when things like basic needs in your home seem like a luxury compared to the existential needs of gas and food, then that's going to be a challenging part of the market to work in.

So, you really may want to consider that right now too. Where are you working in the market? Who are you serving? You don't have to abandon those customers and you can also create more freebies for those people to support them like I do on the podcast. But really think about where your money is coming from and how the people you typically work with the most, or have the most access to, or the most connection with, how is their money going to be impacted in a recession?

Now, don't mistake that there still will be a lot of small businesses that don't make it in the coming years. We're just seeing shifts in the industry, in the creative industries, it's just a pivotal time. And we've seen a reorganization of the way the world works and the way our industry works. So, there will still be many, many businesses, especially smaller businesses that don't make it in the coming years. So, I want you to be strategic about how you remain a going concern, how you really serve your customers.

It's not an option to not think about this anymore. It's really a requirement in 2022 to always be looking at really understanding and the future kind of need for the services that you currently create. Is there going to be this need going forward? How long is this going to be a need? Is technology or something else going to make a shift or a change in how you work? We used to be able to just work in our businesses but not anymore. We have to really work on them in a big way. We have to work on them a whole lot more than we used to and maybe even more than we work in them.

And that's the very reason that we continue my company, to improve our Design You coaching program, to help creative entrepreneurs and

## Ep #223: Getting Recession Ready

especially creative female entrepreneurs as I talked about in the last episode. Understand their businesses better, increase their profits, pivot and shift their offerings as needed, to stay relevant or to become relevant and to grow. I spend a lot of my time thinking about the future of creative entrepreneurs, the creative industries, creative women and how they're going to thrive.

And if you heard last week's podcast about women's rights you heard me say this is the most urgent time for women to create legacy or generational wealth so that we can not only sustain our businesses but that we can have an impact on women's rights and on other marginalized people in society. So, it's really an important time. It's an important time for women to understand business and to take control of our futures in business. It's an important time for creatives to understand how our industries are shifting.

And the more success we can have financially the bigger impact we can have on our own lives, on the lives of our team members, on our children, on the world. And if our businesses don't survive pandemics and recessions then we don't have the funds to be the change that we want to see in the world.

Okay friends, so start getting clear, get really clear on your finances, get really clear on where your business stands today and where you will go or really multiple places because you don't want to pick one place to go, it might not be the place that you need to pivot to. So, consider multiple places that you can go with your business if you have to pivot, if you have to improvise, if you have to leverage people or skillsets that are currently on your team in big and small ways in the coming months.

So that you can really create a business that survives a recession and really moves back into the space of thriving. And it's scary. Things are going to feel new. I remember when I first started my design camps, I was like, "Are these even worth it? Am I even making enough money?" And a few years later I had a million dollar revenue stream.

If you want help with this work, if you want help thinking about how to create a thriving business in recessions, how to pivot, how to stay relevant,

## Ep #223: Getting Recession Ready

how to work on your systems, your team, and even really yourself, your mindset as the leader and the CEO of your business. Then DM me on Instagram @tobifairley and tell me what you need help with. And it would be an honor to help you grow and thrive in your business.

Again, as I mentioned last week, we have paid programs, we have scholarships for our programs if you're a Black, indigenous or a person of color. And we have free content. I can direct you to all the different things that we create both free and paid, to help you really thrive in your business. Again, we need more examples of change making female CEOs in the world and change making creative CEOs in the world and it may as well be you. Okay friends, I'll see you next week. Bye for now.

Thank you so much for listening to *The Design You Podcast*, and if you are ready to dig deep and do the important work we talk about here on the podcast of transforming your mindset and creating a scalable online business model, there has never been a more important time than right now. So, join me and the incredible creative entrepreneurs in my *Design You* coaching program today. You can get all the details at [TobiFairley.com](http://TobiFairley.com).