

Small businesses cope with 'New Normal'

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Published: 09:45 p.m., Friday, February 26, 2010

While the economic downturn has caused dozens of area small businesses to shutter their doors, many of the survivors have had to adapt to what many economists call "The New Normal" of consumers spending less and saving more.

His showroom recently underwent a complete makeover to carry less expensive housewares to adjust to the more penny-conscious spender, said [Tony Aitoro](#), the owner of Aitoro Appliances located on Norwalk's Westport Avenue since 1948.

"Our showroom was Subzero, Viking and Wolf," he said. "Now it's Electrolux and GE."

Aitoro Appliances used to average a couple of \$30,000 custom kitchen installations a week, but now handles about one \$6,000 job a week, said Aitoro, who joined the family business in 1973.

"People are really watching what they spend and really researching (products)," he said. "I think we're all doing that."

Aitoro's sales have gone up about 10 percent since January after a year of substantial decline in response to the new showroom and \$50 to \$100 rebates from the government's "Cash for Appliances" program, Aitoro said.

"It's a nice plus, but we have to work a lot harder now," said Aitoro, whose business has been opening on Sundays since June. "This is the deepest recession we've ever had and it's affected our business the most, but we're getting through it."

The "New Normal" has caused his business to slightly raise prices as consumer demand decreased by about 3 percent in the past year as expenses continued to climb, said [Lee Papageorge](#), the owner of [Oscar's Delicatessen](#) on Westport's Main Street.

"Sometimes, it's tough," said Papageorge, who bought the deli from Oscar and Sally Siskin in 1974. "I always try to give the best product for the best price."

Oscar's, which the Siskins opened in 1948, has survived several economic downturns, but this past recession has been the worst he has seen, Papageorge said.

"Definitely," he said. "It really caused people to be more cautious."

Consumer spending in the United States declined from a peak of \$9.37 trillion in October 2007 to slightly more than \$9.16 trillion in December 2008, according to the U.S. [Department of Commerce](#). That number went up to \$9.22 trillion last February before going back down to \$9.2 trillion in June and rising to \$9.32 trillion this December.

Consumers have become reluctant to spend as a result of several simultaneous negative economic factors, such as 401(k)s dropping, banks tightening credit and home values dropping, said [Diane Kutyla](#), an economist in the consumer business industry with [Deloitte Services of Deloitte](#) LLP, which has offices in Stamford, Wilton and Hartford.

"There's just a lot of negative events impacting the consumer that have kept them disinterested in spending more so than in other downturns," she said.

Las Vetras Lounge, a coffee shop in downtown Fairfield since 2003, still has a steady stream of customers but the "New Normal" has forced his business to get by with less credit from area banks, said owner [Andrew Vetras](#).

"The banks pulled credit and certainly did nothing to support Las Vetras. However, the community refused to let this small business die," he said.



Las Vegas Lounge in Fairfield, Conn. Photo: Autumn Driscoll / Connecticut Post

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On the bright side, the "New Normal" has apparently helped his business from a demand standpoint, Vetás said.

"Maybe folks are cutting back on the extra dinner out and substituting a night out at the coffee shop," said Vetás, who recently moved his "community-oriented" shop from a 390-square-foot location at the corner of Post Road and Sanford Street to an 800-square-foot place on Unquowa Road to accommodate more customers. "In order to survive, it must be a place for everybody . . . all ages."

Despite the tougher credit terms, Vetás last February opened a second location with 1,200 square feet of space on Bridgeport's Fairfield Avenue and hopes to open a third location one day.

"Maybe years from now, up in the backwoods of rural Connecticut in an old New England town," he said.

Many community banks have become reluctant to loan to small businesses because federal regulators have increased credit standards in the wake of the subprime mortgage crisis, said [Bernard Sweeney](#), director of the [U.S. Small Business Administration's](#) Connecticut district office.

"With the recession, they just view small businesses as risky," he said.

In response to the decline and slow increase in consumer spending and tighter credit, many small businesses are using more creative methods to market their products to drum up more sales, such as offering 50 percent discounts on gift certificates bought online, said [Ginnie Rae Clay](#), state director of the [Small Business Development Center](#) at [Central Connecticut State University](#) in New Britain.

"That has gotten a lot of people out to restaurants and other services," she said. "A lot of day spas are doing that, too."

Small businesses are also getting more involved with community events such as fundraisers to heighten their awareness and meet potential customers, Clay said.

"By giving back to the community, business owners are finding that people are frequenting their stores," she said.

Business associations and local chambers are also getting into the act by encouraging consumers to buy locally and within the state, Clay said.

"Ninety percent of businesses in Connecticut are small," she said. "Without them, you don't have strong communities."

Small businesses have also had to reduce their expenses as much as possible to stay afloat, said [Nick Perna](#), managing director of [Perna Associates](#) in Ridgefield and economic adviser to Waterbury-based Webster Financial Corp.

"The great thing about that is when the economy comes back, you keep that," he said.