Season 3 | Episode 15

5 Tips to Help Your Business Counter Inflation

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Gene Marks:
Hey, everyone, this is Gene Marks, and welcome back to this week's edition of On the Mark. On today's episode, we're going to be talking about inflation and supply chain, but no, not just the data and the facts. We know what the facts are. I want to share with you some ideas, some strategies, some tactics of what my clients and other business owners around the country are doing to deal with their inflation and supply chain issues.

I think you're going to walk away with some great action items to navigate your business through this era of rising prices.

But listen, before we get started, I just want you to know if you have any questions or if you need help, or you'd like to suggest future topics that will help you run your business, you can do that. Just visit us at PAY-X dot M-E forward slash throve topics. That's P-A-Y-X dot M-E forward slash thrive topics (payx.me/thrivetopics). There's a form you can fill out and you can give us suggestions of things you'd like to hear. I will address this on future issues of On the Mark, and I will help you navigate and give you my thoughts that will help you hopefully run your business.

OK, let's get to the topic at hand today, and that has to do with inflation.

Look, we all know the facts. We read the information that's out there. We know the consumer price index right now is between 5 and 6 percent. We know that the producer price index right now is between 8 and 9 percent. It's high. It's much higher than it's been in a long, long time. So, there's no need to go over that.

The big question is: what do we do? I mean, most economists and me included strongly believe that inflation is going to be with us for a while. We could be seeing rising prices over the next year, year and a half, two years. There's a lot of reasons behind that, but you know, that's another topic. The big topic that we want to address is how do we navigate our way around inflation?

I have five things that business owners are doing to navigate and manage their businesses through these times of higher prices. You ready for them. OK.

Well, the first is obviously raising prices.

Most of my clients have been raising prices to all of their customers. If you haven't been doing it, clearly, that's something you want to strongly consider. The narrative is now that we're in an era of rising prices, so, for you to come back to your customers with higher prices on your products, it's actually not going to surprise a lot of people. Obviously, you have to balance it. You have to make sure that you're still competitive, but it is an opportunity to raise your prices.

The key thing, though, in an era of raising prices, is communication.

Your customers, they understand they're in an era of increasing prices. They understand there's also supply chain issues. They're having the same issues themselves. What you've got to make sure that you do is you are communicating with your customers.

Invest in a good CRM system, a customer relationship management system. There are many that are out there that you can Google. That way, you can bring your customer information into that system. You can segment that data so that you are, you know, in a mode where you are constantly communicating with those customers when you might have to raise prices, what the status is of their order, where inventory stands, how are you going to get product out to your customers. They need to hear. It's the same way, like if you're on a plane delay, you want to hear from the airline, like what's going on, when's the incoming plane coming, when is your plane going to take off. People just want information.

So, in an era of rising prices, because there's so much uncertainty, invest in a good CRM system. That way you can make sure you've got good, constant targeted communication with your customers to make sure they're fully aware of what's going on, even if you have to raise prices or you're experiencing delays in communication. I'm seeing that happen with a lot of my best clients, and it's working very well for them. So, that's item number one.

Item number two, practice shrink-flation. Now, I don't know if you're familiar with what shrink-flation is, but just to give you an idea: You go out and you buy a bag of Doritos now that the bags of Doritos used to be like 9.75 ounces. Now, they're like 9.25 ounces and, yet, the price is the same. It's a lot the same way with a lot of other consumer products that are out there.

Hefty bags and potato chips and, you know, soups and breads and things. A lot of the bigger brands out there are shipping products now at the same price, so, you think that prices aren't going up, but they're doing it, including a little bit less of their product. This is not illegal and it's not unethical. It's just a different type of mix to counter inflation.

So, if you're able to do the same thing, I would take a nod from the bigger brands that are already doing it, and you should consider following the same practice. If you can deliver a little bit less of your products, a little bit less of your service, but hold the price the same, in the end, your margins should still keep up. And again, I'm seeing a lot of my clients, a lot of my readers, a lot of people in my community practicing shrink-flation. So, that's the second bit of advice.

The third bit of advice is you want to enter into long term contracts, and you want to do this wherever you can. Now listen, you can buy supply contracts with your biggest vendors. Maybe you lock down employment contracts with your largest, your most expensive employees. You nail down your leasing agreements and rental agreements with your landlords because they're all interested in doing a deal. Or, even with your bank, you consider going back and refinancing with your bank any long-term debt, converting short-term debt into long-term debt. If you enter into long-term contracts, you are not saving yourself money. In fact, you might actually be paying more out right now, but what you are doing is you're reducing risk, you're reducing uncertainty in an era of rising prices. So again, a lot of my clients are entering into a longer-term contract agreements. That's number three.

Number four, buy.

Now, I'm not telling you to buy GameStop or a cryptocurrency, nothing like that. You buy what's best for your business. If you know that prices are going to be going up in the future, you need to be buying your stuff now so that you can store it wherever you can and be able to sell it at a higher price, or maybe be able to beat the competition if you were able to buy it at a lower price.

So many of my clients right now are countering inflation by going out and buying product in advance. They're finding place to warehouse because that's what they know. They don't know cryptocurrency. They're not geniuses of stocks or whatever, but they know their business and they're buying their inventory.

And by the way, if you need some financing to buy your inventory, go to the Small Business Administration and apply for a Section 7A or 504 loan. With those loans, you can get up to $5 million in financing for working capital, equipment, property, inventory that you can pay back anywhere from five to 15 years, depending on the loan itself. They're guaranteed by the federal government. You get it through a banker that's an SBA banker. Go to sba.gov. That will give you the financing to go out and buy the stuff that you need to buy.

Finally, invest in technology.

I'm going to cover this on a future On the Mark episode about all the great technologies out there, hot technologies that I'm seeing my clients invest in. But, just click preview, payables automation technology is fantastic by companies like Bill.com. HR technology is fantastic by companies like, well, Paychex. CRMs, I mentioned them earlier in this episode. Salesforce and Zoho and Microsoft all have good CRM applications.

And if you're in the warehouse, the manufacturing business, oh my God, the cost of robotics, AI, Internet of things technologies has decreased so much that I'm seeing many of my smaller and midsized clients invest in these things to keep their overhead low, to make sure that their employees are as productive as possible, and to sort of, you know, deter the need to have to hire more employees.

So, invest in technology, that's where you want your money to go to run as efficiently as possible in an era of rising prices.

So, let's recap. Number one, raise prices where you can. Everybody is doing it, but make sure you are communicating with your customers.

Number two, practice shrink-flation. If you're able to sell a little something less for the same price, it's kind of the same thing as raising prices, and it is not an unethical thing to do. In fact, it's popular among bigger brands.

Number three; enter into long-term contracts — that's with your employees, with your suppliers, with your landlord, with your bank. It won't save you money, but it will reduce your risk.

Number four, buy inventory, lots of it. In an era of rising prices, you buy low and you sell high.

And finally, number five; invest in technology — HR platforms, payables automation, customer relationship management, warehouse robotics, AI, Internet of Things. This is what my smartest clients are doing right now to navigate their way through an inflationary period.

All right, guys. I hope that helps. That's what's going on right now, what I'm seeing my clients doing. I'm glad that you listen to this episode of On the Mark. Again, if you have questions, if you need help, if you'd like to suggest future topics that will help you run your business, just visit us at payx.me/thrivetopics. .... Come to me and say, hey Gene, I've got this problem or this issue. Give me your thoughts on how to deal with it and I will be happy to share those thoughts.

My name is Gene Marks, you've been listening to this week's edition of On the Mark. Thank you so much for listening and we will see you next week. Take care.