

Technology, Data, Communication, and Forecasting: Tips to Counter Inflation



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Gene Marks:

Hey, everybody, this is Gene Marks, and welcome to another episode of "On the Mark". Thank you very much for joining me. The news this week continues to be inflation.

There was a survey that was just released this past week by PYMNTS website, which tracks electronic payments and the overall fintech industry, and it was a Main Street health survey for the third quarter of 2022. They interviewed 533 small businesses and here's what they found: 12% of them said they don't expect to survive the next two years. That's not that great. But 37% of these businesses say inflation has been their greatest challenge this year.

The good news is that even though all of these grim realities are apparent to us, more than half – 54% of Main Street small businesses – expect their revenues to increase and 25% say that they are going to be increasing their margins, which is really good news for them.

Listen, the big thing that's on my clients and my readers and my communities mind still is inflation. Inflation rate still remains very much elevated than it was over a year ago. And, so businesses, both big and small, are dealing with it. One of the things that came out in the report is that many small businesses are concerned that because of a decline in consumer confidence and people concerned about their own budgets, that it's going to be tougher and tougher for them to pass on price increases to their customers. That certainly is a concern that is out there.

Listen, inflation is going to be with us for a while. It took a year and a half even for it to get to this level. It's not going to be fixed automatically. And all the fuel prices have significantly declined, which is good news, we could be seeing some hikes in them in in volatility as we get into the winter months, depending on what happens in Ukraine. So, that could have a big impact on us.

Grocery and food prices continue to rise and the price of core materials are still very, very much elevated. So, again, inflation is something that we as business owners are going to continue to deal with throughout 2022 and into most of 2023.

So, that's the news. Let me give you some thoughts and some advice. If you are dealing with inflation, the best thing I can do is share with you what my other clients are doing – my best clients are doing – when it comes to inflation. So, let me give you like three or four tips. Okay.

First of all, take advantage of your technology. This is something that your parents and grandparents didn't have back in the 70s and 80s, right, when they were going through inflation. You've got accounting systems, Xero systems, you've got QuickBooks and you know, Zoho and other types of financial applications.

My best clients are looking hard at their data. They are increasing prices, but they're doing it in a very targeted way. So, listen, don't be lazy and just increase your prices 6% or 7% across the board. Do what my smartest clients are doing: They're looking at products. They're looking at margins. They're looking at industries. They're looking at geographic regions. They're looking at specific customers, and they're pinpointing where and how much pricing increases they are giving.

I mean, some of my clients look at their own best customers and say, you know what? We're not going to increase prices that much on them. We don't want to lose them. Other clients are looking at some of their lower margin products or even products that they're selling into a certain geographic region that might be doing strongly and say, hey, you know what, we can pass on some price increases there because I think we can get away with doing it.

So, really leverage your data to target your price increases this year. Be really smart about it. Don't be lazy and just do it across the board.

Number two; double down on your communications. Another thing that we have now that our parents and grandparents didn't have in the 70s and 80s is we have CRM systems, customer relationship management systems, we have Outlook, we have Gmail, we have Salesforce, we have Zoho, we have the opportunity to communicate with our customers and our suppliers, and my best clients are doing just that, and I strongly advise that. So should you.

Leverage these communication systems, keep your customers up to date on if there's going to be any future price increases, what their lead times are when their deliveries are going to be, turn around and communicate with your suppliers using these systems to make sure that they are going to be delivering when they say they're going to deliver – very, very important to do that, and we've got the tools to do that. And I'm only saying that's what my smartest clients are doing.

The third thing, and most important, that I want to make sure that I get this message across is try to forecast guys. Forecasting is so important, particularly in an inflationary world or a slowdown in the economy that we're seeing right now. Forecasting is not that difficult for you to do.

Just think about it. You know what your overhead is going to be, say, over the next 90 to 120 days. And, by the way, I'm only asking you to look out for the next 90 to 120. It's just three to four months in advance. You know your payroll, you know your rent expense, you know your other expenses for your maybe your cars or your Internet. Come on? You know what that's going to be over the next three months. You know what your margins are at least estimated. You know that when you provide a service or you sell a product, you're going to get, what, 20%, 25%, 30%. This is an inexact science, so use an estimated margin.

What's tough to figure out is what your sales are going to be over the next three or four months. But, you know, how much do you know? There's more data out there than you probably think.

First of all, hopefully you've got a pipeline report out of your CRM system or you've got open jobs or open orders. You can interview your salespeople. You can look at historical data. I truly believe that you can figure

out if you do this routinely, what your sales are going to be every 3 to 4 months. Once you know your sales and you apply your margin and then you deduct your overhead expenses, oh my God, you've just forecast your next 90 days of operations. The only other thing you want to add in at the end is any extraordinary things, maybe a big debt payment or estimated taxes or a supplier payment.

If you do this every month and roll forward your business every three to four months, you will know what's coming down the pike. You will be able to manage yourself much better and you will limit what your surprises are.

Guys, my best clients are always looking ahead. You should be doing the same thing, particularly when we're in a slowing economy and a high inflationary economy.

So, listen, the news for this week is that inflation is absolutely still with us. Surveys are saying that it is the biggest problem facing small businesses right now. It is something that we're going to be contending with for at least the next six to 12 months. So, take some steps, double down in your communication to pinpoint and target your price increases and do a better job at forecasting your business.

If you do those three things, you'll be able to navigate your business much better through this downturn and these inflationary times.

All right. That's the news for this week, and that's some of my thoughts on it, as well. You've been listening to "On the Mark". My name is Gene Marks. And listen, if you've got any advice or tips or would like to suggest some guests for our Paychex Thrive podcast, please visit us at payx.me/thrivetopics. That's P-A-Y-X dot M-E/thrivetopics.

Again, I'm Gene Marks. Thanks for listening. I'll be back next week with some more news that impacts your small business and my thoughts on how to deal with that news. Look forward to it. Have a great week. See you then.

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