TRADEBANK®

7 Methods to Offset Inflation in Your Business

Introduction

Business owners are struggling to deal with the rising cost of inflation. Many can see the impact of higher costs across the board. Increasing prices for materials and services used to run businesses hurts the collective bottom line. Eroded purchasing power for businesses & consumers is inflation's most notable effect. Business Owners can benefit from the ideas presented in this guide. Read this easy-to-follow guide to learn how to navigate all businesses' ongoing challenges. Prepare for the *7 Methods to Offset Inflation in Business:* Streamlining, Profitability, Spending, Inventory, Diversification, Retention, and Barter.

Streamlining

A highly productive workplace often translates to good customer service and interaction. Customer satisfaction is the key to customer loyalty. Customers who are loyal to a business will share their experiences with others. Loyal customers lead to marketing advantages deriving from high levels of productivity. Employees themselves are an investment in a company. Like any investment, employees will yield a positive and worthwhile return. Highly productive employees contribute to achieving the company's goals, so the investment pays off. Furthermore, productivity motivates the workplace culture and boosts morale, resulting in an even more positive work environment.

Do, Delegate, or Delete

Helping Business Owners across the board is the Do, Delegate, or Delete idea. One becomes more productive when one evaluates their time and chooses to do, delegate, or delete overwhelming and unnecessary tasks.

To improve productivity, get buy-in from the organization to eliminate time waste. Get rid of irrelevant meetings and presentations, which can exhaust productivity. Consider replacing your to-do list with a stop-doing list. Organize the time to focus on tasks at hand, setting a time to take calls and follow up on emails. One can accomplish more by reducing multitasking.

The 80/20 Rule

The Paetro Principle or the 80/20 Rule is a secondary method of streamlining productivity. When applied to Business, this rule means **approximately 80% of one's results are due to 20% of one's efforts.** The 80/20 rule can help Business Owners recognize what actions (20%) and supply profits (80%). Focusing on the 20% of activities can help Business Owners decide which tasks, departments, or products should have more investment from time or money. Asana, a mobile work management platform, states, "The biggest advantage of using the Pareto principle is that you can create the maximum amount of impact with the least amount of work. This can allow your team to work more efficiently and stay focused on specific initiatives. "

Technology

Investing in technology can help businesses adapt to daily changes and struggles caused by inflation. Companies must invest in technology in preparation for a market crash and return. According to Harvard Business Review, "companies that had invested more in automation before the pandemic have weathered the crisis better than others." Business Owners who strive for success invest in opportunistic places. Successful Busines Owners do not invest in technological innovations they are unsure of or do not see the purpose they fulfill. Entrepreneurs should also be selective in how they will incorporate automation into their Business.

Profitability

When it comes to profitability in a business, the solution is not "one size fits all." A Business Owner needs to review their business model, key profit drivers, and customer behaviors in preparation for any change. These elements will help Owners decide what areas require attention and facilitate the process of change.

Reviewing Business Model

When reviewing a business model for an existing enterprise, one should know the scope of view from production to purchase. What is the purpose of a product or service? Who is the target customer? What do target customers look for? How are they purchasing this product or service? Asking these questions about one's business model will help define the key driving factors of a Business. This review allows Business owners to plan for attaining a higher profit from spending consumers.

Key Driving Factors

Once a Business has identified its key driving factors; it is possible to boost, change, or add to them. Profitability starts with understanding where the money comes from. A Business's key driving factors can dictate price raises, sales, needs, and customer behavior.

Profit Margins and Pricing

After identifying where customers are driving profit, the next step is to generate more from less. Review the profit margins and pricing of the products and services that are most popular or meet a niche need. Cut production costs by finding new vendors or manufacturers, and be friendly; Suppliers are invaluable as the first link in a Business Chain. Then stock up on items that are necessary for your crucial driving products. By investing in a business's most profitable products, one can expect excited customers who are willing to spend more. Next, look at the margin created after cutting costs; by reviewing this, an Owner can decide whether or not price changes are necessary. Talk to customers, investors, and financial advisors. These people will help determine the degree of price raises. Also, be aware of sticker shock from long-time customers returning to higher prices. Transparency and incentive are essential during the change. Business Owners should incorporate price changes during business changes. Explain why the price has increased due to quality increases, supply challenges, or ideal modifications. Or incentivize the shift. Ad, a "pricing change sale" to allow frequent buyers to purchase in bulk or offer coupons to long-time customers.

Customer Retention

It's no secret that businesses need customers to thrive. A company aims to attain a customer's full profit potential. To do so, one must attract quality target customers and maintain long-term customer relationships. Forbes found in 2020 that "Customer-centric companies are 60% more profitable than companies that don't focus on customers." As in all relationships, communication is vital. People choose Businesses whose brands they like, know, and trust. The first step in a customer retention plan is cultivating this like, know, and trust with new and existing customers. Invest in your company image, the customer experience, and customer assistance. Finding brand ambassadors to spread the word about a business is also a way to build like, know, and trust. A local consumer review survey found that "Positive Reviews Make 72% Of Consumers Trust A Local Business More,"

The second is to get to know your target customers. What do they like, what do they want, and what do they need? Understanding customers allows businesses to choose the most effective ways to market their products or service. Business owners should consider offering special incentives to long-time customers, such as gifts or specific sales and coupons. These all help build a customer's mindset to "this is an amazing company," and notable companies have fantastic customer retention.

Spending

Spending is a significant item to evaluate for Business Owners. Whether one looks at customer spending behavior or Business expenses, spending is crucial. Notice that Spending is the third section of this Article. If a Business Owner were to implement the previous strategies (Streamlining and Profitability), they would notice a decrease in overall spending.

Spending Visibility & Strategic Spending

Spending visibility is crucial to effectively respond to the inflation affecting businesses. One can formulate cost-cutting measures by gaining visibility of the overall flow of money - who is spending it and where they are spending it. When dealing with inflation, one must be able to create repeatable end-to-end visibility of spending. The strategy of spending visibility allows Business Owners to have a wider variety of cost restructuring measures. Identify what categories are spending strategically and which are not. Management will know where money is capable of being managed more efficiently. Employ cost-cutting measures while protecting core principles - customers, employees, and quality. Business Owners should work to build a sustainable competitive advantage against competitors to come out on top after inflation crises.

Reduce Consumption

To reduce consumption; one must continue to be mindful of the entire spending process. Where are expenses highest? Are there factors that increase this department's spending (such as communication or project changes)? Business Owners should set up cross-function spending controls—zone in on spending and cost that the Business can no longer maintain. Money previously spent can now be saved through more effective working strategies mentioned above.

Reorganize Debt & Borrow Wisely

Debt is a misunderstood but essential part of any Business's balance sheet. It is a common mistake made by Business Owners to view all debt as bad and in need of avoidance. This is far from the truth. The truth of debt is that it allows Businesses to change and expand at rates that current cash flow would not allow. However, thinking long-term when borrowing or opening lines of credit for your business is crucial. Business Owners should always borrow from trusted partners and institutions. When opening lines of credit, one should evaluate spending plans to ensure a good return on investment. Businesses can protect themselves from unexpected consequences by partnering with financial advisors.

Inventory

Inventory is vital to every Business, regardless if one's inventory is appointment times or products. But, can that incredible asset become a liability during inflation? Business.org found after studying the effects of inflation on US small businesses that "46% of businesses are reducing the size of their inventory." This information should indicate to Business Owners that inventory management, product portfolios, and reducing inventory can impact their Business. But how does one know what to keep and let go of?

Inventory Management

Inventory management is the crux of this issue. Business Owners should have a clear example of a product's lifetime from acquisition, transportation, storage, use, maintenance, and disposal. One must be able to evaluate their inventory at substantial rise and fall in demand, price, or supply range. When this data is available to Business Owners and Management, it allows for a more structured inventory and product strategies to be implemented. This gives Business Owners a more comprehensive range of control over inventory movement. Business owners can evaluate the need for Inventory Management Software and management applications. After all, optimizing inventory is the first goal.

Clean Cut Portfolio

Business inventory is yet another application of the Pareto Principle. As mentioned earlier, 20% of a Business's inventory is likely to make 80% of its profit. These are the inventory markers to prioritize. Inventory analysis and management will show which inventory items are moving the fastest; this should fall in the 20%. After discovering the key driver of one's inventory, one can decide which things to keep, pair, or remove. Undoubtedly, 20% stays. Businesses should try pairing some of the slower-moving items with those that are key drivers. The pairing will allow products to move in larger quantities and at a quicker pace.

Reducing Inventory

The strategies listed above will also help to reduce inventory. Business Owners should consider putting items on the backlog or listing them as "out of stock" until they are more feasible to manufacture. If these strategies do not work, reducing inventory items that are not selling well is the best option. Business Owners should consider allowing their customers last minute or "until stock runs out" sales on these items to boost profitability and remove inventory quickly. The bonus here is that the Business has notified customers this item may not return.

Diversification

If Streamlining, Profitability, Spending, and Inventory are doing well, the next step for any Business is Diversifying its Revenue Streams. Diversification allows Businesses to take in profits from multiple products and areas. Diversification refers explicitly to a Business expanding its products and services offered. The crucial components of diversification include a Business's Product Portfolio, Filling a Niche, and Hedging Against Inflation.

Product Portfolio

The most important part of diversification is the Business's Product Portfolio. A Product portfolio is the collection of every product or service offered by a company. One can view the best Portfolio by separating products into lines of families - products whose marketing, ingredients, or inventory are the same. Within the Portfolio, one will find 20% of the highest profitable products. Business Owners should consider investing in Portfolio analytics. This will allow Owners to find lines and families that could benefit from diversification while managing the risk of new product inventory. Business Owners may consider operating on the Boston Matrix system to identify Stars, Cash Cows, Question Marks, and Dogs.

Fill A Niche Need

When diversifying a Company's current Product Portfolio, it is essential to know what needs the current market is not meeting. Owners should ask themselves: What do customers still need? What products can be changed or updated to meet this need? And how is this Niche fulfilled? Filling Niche Needs with unique products can increase a Company's pricing power allowing them more flexibility during inflation. Niche needs exist in every industry. Business owners could consider adding organic, African American-centered, or accessible products to underserved communities. Owners could also consider products and services they have struggled to find for themselves. Filling Niche Needs with unique products can increase.

Hedge Against Inflation

In the end, smart investments are the pinnacle of Hedging Against Inflation. Smart investments include a Company's raw materials and commodities whose prices will crease with the rise in inflation. Another smart investment is "hard assets," or assets with fundamental value, like real estate. One may consider protecting their cash with bonds, cryptocurrency, or leveraged loans. As a Hedge Against Inflation, finding the right long-term solution and using short-term solutions for minor boosts is consequential.

Employee Retention

Employee Turnover is an issue all Businesses struggle with. Employees come and go at critical moments in the organization's momentum. However, Businesses can reduce regrettable or avoidable turnover. By understanding the relationship between Employee Retention and Management, Training, and Benefits, Business Owners will have a comprehensive view and ability to create holistic employee retention strategies.

Management's Impact on Retention

Management is the foundation of Employee Retention. Having good leadership in Management will allow employees to feel valued. This investment of time, effort, and energy on Management's part will have an investment return on successful long-term employees. The quality, past success, depth, and experience of a Management team are positive indicators for one's Business, especially for prospective and current employees. Skynova found that "50% of professionals consider leaving their current employer due to toxic work environment and 35% would leave due to a lack of strong leadership." Business Owners should ensure they and their Management team are having growth-oriented and strengths-based conversations with their employees regularly. Clear communication of Management is a big win in the employee's book.

Retention & Training

Through good training, Employee Retention can see an increase. Gallup's report *How Millennials Want to Work and Live* shows that "59% of millennials say opportunities to learn and grow are extremely important to them when applying for a job. Comparatively, 44% of Gen Xers and 4one% of baby boomers say the same about these types of opportunities." This quote shows Business Owners that the employees they are currently marketing their employment to have had a change in values. This change in values will continue to impact the Business world. Employees want to feel like they are investments. Businesses must evaluate their onboarding and continued training protocol to retain millennial workers.

Offering Competitive Benefits

Offering Competitive Benefits may be easier said than done for most Small Business Owners. As stated earlier - employees are an investment. The investment includes Competitive Pay and Traditional and Non-Traditional Benefits incentivizing long-term and successful employees.

Competitive Pay

Forbes found that "49% of millennials would quit their job within two years," and up to 28% saw poor compensation as a reason for leaving. It is easy to see that Competitive Pay is vital to the current workforce. How do Business Owners know how much to pay employees and at what intervals to give them payment incentives? Generally, raise programs follow either a length-of-employment or merit-based system. Owners and Managers should assess their current raise and compensation programs. Entrepreneurs should consider implementing employee evaluations or assessing individuals' productivity vs. their length of employment.

Traditional & Non-Traditional Benefits

Traditional Benefits offer encouragement to employees without affecting their cash compensation or a Business's labor costs. Non-Traditional Benefits share the same motivation goal but are outside the normal scope of Benefits. One Non-Traditional Benefit, Barter, is expanded upon below. Another Non-Traditional Benefit is continued education. Where an Employer invests resources into their employees' education intending to retain the employee in a different position, these benefits allow Businesses to invest in their employees with minimal impact on the bottom line. Business Owners should consider reviewing their current benefits and updating them to stimulate productivity and employee retention.

Barter

Barter is the original currency. In earlier periods, people traded goods and services to meet their needs. Now, Barter has evolved to cater to the technological world by forming Barter Exchange Networks and using multi-directional trading programs. During times of high inflation, people often turn to Barter. Barter alleviates the cash cost of a Business or person by trading goods at wholesale price. This can be helpful for any industry looking to lower its cash expenses.

Barter Exchange Networks

Businesses that Barter have a significant advantage over their competition. When using the older one-on-one system of Barter, it was common for problems to arise. Most issues center around getting a fair value or trade. Barter Exchange Networks solves this by having a central staff to track credits and debits. This system of credits and debits allows Business Owners to "bank" the value of their services. Businesses can then Barter without needing the other Company's goods or services. Business Owners use their credit to purchase services or goods they need later. Multi-directional trading through Barter Exchange Networks allows Businesses to trade the same way they would buy anything else.

Barter & Inflation

Businesses can also use Barter during inflationary times and extract even more value while saving their cash. Harvard Business Review supports this by saying, "Our Global Trends research, along with discussions with senior executives around the world, shows that in response to tighter credit and budgets, companies are exploring new ways to create and capture value. In this context, they see Bartering as a way to steer around the restrictions imposed by cash and credit, to extract value from perishable or underperforming assets, and to expand channels to market and find new customers". After using every other method of retaining profits, Barter is the next option within reason to turn. Multi-directional Bartering and the ability to credit and debit transactions allow Business Owners a wider area of purchasing power.

Barter In Industries

Any Business that is not able to utilize its total capacity is losing out on money. The International Reciprocal Trade Association says, "the fundamental benefit that attracts businesses to barter is the principle of maximizing/utilizing one's unused capacity," For example, a Hair Salon may trade their cut and color services to a Member of a Barter Exchange Network. The Hair Salon is retaining its Retail Value by supplying the service at wholesale cost. The Hair Salon then uses its credit to purchase advertising. By Bartering, the Hair Salon, Advertising, and Member all walk away happy knowing they've spent less and maximized their capacity. All industries have endless potential when using Barter for purchases. Business Owners use Barter in unique ways to grow their customer bases, save cash, and enjoy an enhanced lifestyle. They also enjoy the bonus of avoiding paying full price! Companies that need to utilize their total capacity should consider joining a Barter Exchange Network.

As a native Australian living in America, Ed Fox gets attention every time he talks. The novelty of being an Aussie in the U.S. serves him well in his role as CEO of Tradebank in Nashville, Tennessee, and Tradebank of Wichita, Kansas. As the owner of these two thriving barter exchange networks, he helps businesses thrive by trading products or services they offer in order to get what they need, without spending cash.

Ed's been an entrepreneur since he was 15 and started a general store in his hometown of Grafton, New South Wales, Australia. He attributes the store's success to his parents offering to become his business partners. Together they grew it into a million-dollar business. From that point forward, he's been a lifelong entrepreneur with a passion for helping other business owners live up to their potential, and grow their businesses and professional networks.

"I fell in love with the ability to trade what I had for what I needed without spending cash."

- Edward.

Barter has so many advantages to incrementally increasing business revenues, bringing in new customers, and offsetting current expenses. Just filling empty tables or stools at restaurants or coffee shops can make a huge difference to the bottom line.

But I think the most unrecognized advantage of Barter is opening up a whole new network of people to each other. In Wichita and Nashville, we have about 400 and 500+ individuals that can expand their business and professional networks! It's amazing the doors that Barter has opened for my clients.

If you would like to find out more about how Tradebank may work with your businesses Please feel free to reach out to Edward. He can be reached by phone at 615-933-1369 or by email efox@tradebank.com or linktr.ee/aussiefox.com