



Inflation is an unforgiving phenomenon. On the one hand, business costs are increasing as energy price-hikes increase production costs across a broad spectrum of industries, and business owners are then faced with increasing their own prices to maintain profitability.

Add to these pressures increases in wage rates as employees attempt to maintain their standard of living and the scene is set for inflationary tendencies for some time.

We have listed below a range of options that business owners may be able to use to counter these challenges. If any resonate with your business development needs, please call so we can discuss your options in more detail.

- The range of services/products on offer;
- Promoting more profitable services/products;
- Introducing higher-end products and services (these will make existing services appear more affordable);
- Considering quantity and quality as well as price;
- Repositioning a brand; and
- Subscription opportunities.

Basic responses

The classic response to inflation is to increase your sales prices to match increases in costs. In this way cash-flow and profitability can be maintained.

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Unfortunately, we all have concerns that increasing sales prices will reduce sales volumes as customers seek out alternative suppliers.

Other basic responses could be to reduce costs by seeking alternative suppliers, by rooting out inefficiencies and strategies for improving productivity.

Managed correctly, a combination of these tactics will help you maintain profitability and we can certainly help draw up a list of appropriate to-dos.

The current economic challenges – of which inflation is just one aspect – could also provide an opportunity to take a hard look at a number of other factors. A suggested list follows.

Other responses

Do current inflationary pressures demand a different response to previous periods of inflation, for example, the 1970's 'stagflation' or the so-called Great Depression of the 2008-09 period?

Informed opinion suggests that progressive firms are treating current challenges as a strategic opportunity rather than a tactical challenge. For example, businesses could:

- Bundle or unbundle products and services to emphasise new value points and/or lower price opportunities.
- Focus on steering customer attention towards more profitable offerings.
- Introduce higher-end products that make existing lines appear more affordable.
- Reposition products as more valuable by emphasising benefits.
- Research seems to underline that customers who are more price sensitive than quantity sensitive are less likely to react to smaller sized offering at the same price.
- Many progressive firms are repackaging products as a subscription service. There may be initial falls in revenue until subscriptions are taken up, but this does offer all businesses 'gym membership' type advantages.
- If the marketing costs of supporting a product at a particular price point are not producing the expected results, could there be an argument to reduce the marketing costs and consider a price reduction?
- Have you undersold the value of a product? Is there an opportunity to promote value to support a price increase?
- A price per month, per mile or another per unit of consumption, may be an alternative 'lower price point' alternative that your customers would align with the value of your products or services.
- Could you offer customers the opportunity to buy in smaller quantities, so they do not have to bear the costs of stocking your products. This may be sufficient reason for customers to stay with you even if you increase prices.

Planning is key

There is no one-fix solution to the challenges imposed by lengthy periods of inflation. If you are faced with hard choices in the current climate, please call so we can discuss your options.