7 Strategies to Protect Your SMB from Inflation

FUNDING

Introduction

Rising inflation is putting pressure on small businesses from every angle, from rising material costs to decreased consumer spending. As business leaders, we're challenged to maintain our bottom line in the face of supply chain disruptions and vendor instability, all while trying to navigate around making unpopular decisions like price hikes or layoffs.

It's no secret: we're facing challenging economic times, and making the right choices can seem next to impossible. **But there are ways to make it past these challenges with your business intact.**

My company, ei Funding, has spent years helping small businesses across many industries navigate changing economic tides. I understand the growth needs of small businesses and focus on building longer-term relationships – not "one-off" financing deals. Our average customer engagement spans more than 2 ½ years, and it's through long-term relationships that we are able to provide the consistent financing and support needed to thrive even in the most complex of economic climates.

Here, I've compiled **seven simple strategies to help businesses like yours** stay protected against the worst of rising inflation. Use these effective strategies to help your business survive and thrive in the face of uncertainty.

Ernane Iung

President and Owner, ei Funding

STRATEGY 1

Identify Opportunities to Automate

Start by taking a good look at the day-to-day tasks carried out by you and your team — how many hours are spent generating documents that could easily be turned into a template? Or placing the same predictable supply orders every week, month or quarter? Take back that time by streamlining your processes wherever possible. Automation can cut back on hours (and money) spent on everyday, repetitive tasks like:

- Sending sales emails
- Creating/renewing contracts
- Data entry
- Purchase orders
- Generating invoices
- Tracking inventory
- Coordinating shipping
- And much more

If well-executed, automation can ease the amount of work your staff has to handle manually while simultaneously making your business more **reliable and responsive** than ever.

And great news — you can automate even without knowing how to code your own bots or software. Tools like Hubspot, Zapier, Airtable and Shipstation are designed to help you streamline processes with the push of a button.

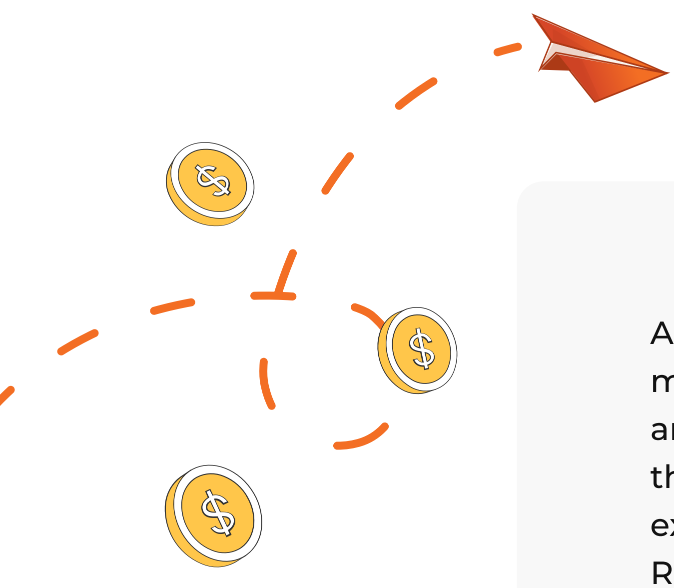
STRATEGY 2

Audit Your Expenses for Creeping Costs

Most businesses have budgeted a significant amount for recurring services — phone and internet service, software subscriptions, cleaning contractors, vehicle fuel, equipment maintenance and leases — but do you really know how much bang you're getting for your buck with every single bill?

Pull up your latest bills and ask yourself the following questions:

- Is this expense delivering the value we expected when we first signed up for it?
- Are we using all of the features/services offered by this provider?
- Are there unnecessary features/services we could opt out of for a lower bill?
- Is there a competitor who could deliver the same value for a better price?



A software provider raising its rates by $5/month may seem trivial, but when every contracted service and provider does it over the course of several years, those little increases become big, unnecessary expenses — especially if they're not delivering the ROI you need to make them worthwhile.

STRATEGY 3

Negotiate with Your Vendors

There's more than one way to trim the fat when it comes to expenses. If you're considering ending a contract due to rising costs, **let your vendor know you're looking at other options, and tell them exactly why.**

Prices aren't always set in stone, and many service providers are more than willing to trade a small discount for a loyal customer's continued business.

Some vendors will also incentivize longer-term contracts or bulk orders with a lower price.

If there's no way to lower the bill, ending the relationship may be the only way to move forward. But many companies would prefer a customer who pays 90% of their standard pricing to having no customer at all.

STRATEGY 4

Go Remote Whenever Possible

One of the biggest recurring costs for most companies is rent. Many businesses that have the ability to work remotely choose not to, deciding instead to pay thousands of dollars each month for an office space. If you've held out on remote work until now, it's time to **reconsider the potential benefits of letting your employees work from home.**

It's not just about real estate — having in-office workers mean footing the bill for utilities, office supplies, furnishings, custodial crews and more. The costs of having everyone share the office add up, and you should ask yourself if you're really seeing a return on value.

If going fully remote just isn't right for your business, consider **smaller opportunities for saving by going virtual.** Consider organizing a video conference vs. flying out to meet with a client, or prerecording a training session instead of having someone redeliver the same lessons every time you have a new hire.

STRATEGY 5

Eliminate (or Minimize) Debt ASAP

When inflation rises, interest rates typically follow. If you have outstanding loans, work toward paying them down as quickly as possible to minimize the amount paid in interest. Now is the time to use any spare funds to **pay down high-interest loans or lines of credit.**

If your credit score has improved since applying for the original loans and your company now qualifies for lower-interest borrowing, consider consolidating any old accounts with a lender who offers a lower interest rate.

Additionally, ask if your current bank or lender is open to renegotiating any outstanding loans to lower interest rates. Reducing how much you pay through lowering interest rates can free up funds over time and help protect against losing any more of your business's cash to inflation.

STRATEGY 6

Raise Prices (With Care)

It's no secret that customers hate paying more for the same product or service, and raising your prices across the board could run them off if not done thoughtfully. There are a couple of ways to soften the blow of price hikes, including:

Target Increases to Hard-Hit Product Lines

Targeting your increases to specific products or services where you anticipate being hit the hardest by rising costs or supply chain issues. Don't make unnecessary changes to services that aren't being impacted as much by rising costs.

Be Transparent with the Reasoning Behind Price Changes

Target increases where customers are most likely to be amenable — while no one *likes* rising prices, it helps if you can justify the change to the customer. When everyone knows gas prices are up, it's easy for your customer to see the connection if you need to charge slightly more to cover rising transportation costs.

Keep Prices the Same with Shrinkflation

Alternatively, don't raise prices at all — instead, practice "shrinkflation" and deliver slightly less for the same price. Ever notice your favorite restaurant serving up *slightly* fewer french fries than they did last year? It's a way to balance out rising prices without passing the monetary burden of inflation onto the customer.

STRATEGY 7

Speed Up Your Collections Process

During periods of high inflation, you need to ensure the value of the money you collect from your customers is equivalent to the value of the service you provided.

Example: Say you have a $500 invoice that has been unpaid from a service you provided in June 2021. If you waited until June 2022 to finally collect on that invoice, the $500 your customer pays you will now have the same buying power that $457.24 did at the time you originally delivered your service.

Don't let invoices sit around and drop in value. Picking up the pace with collections will help ensure you're getting paid an amount equivalent to the value of your service as you originally priced it.

If getting your customers to pay on time is a challenge, **working with a factoring company like ei Funding** can help keep cash flowing by purchasing your invoices and managing collections, paying you 80 – 90% of the invoice value immediately and the rest (minus a small service fee) once the bill has been collected from your customer.

Your Success Is Our Success

Rapid inflation is making it all the more challenging for small businesses to overcome the labor shortage, finance the equipment you need and combat rising costs. **But invoice factoring with ei Funding can help.**

Factoring is a financial tool used by businesses across many industries, giving you **operational consistency** amid inflationary pressures and rising business costs. Working with a factoring company can help support expenses like payroll, raw materials, facility bills and more while avoiding layoffs, having to return equipment you can no longer afford or being unable to fulfill new contracts.

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Want to see if your small business is a good fit for factoring?
Take our invoice factoring quiz to find out, or if you're ready to get started, you can apply today to start your partnership with ei Funding.

TAKE INVOICE FACTORING QUIZ

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