
February 7, 2022

Weathering Inflation

With all the present challenges in the world, one challenge everyone cannot overlook is inflation. Inflation is impacting everyday life in all ways possible. The real numbers can be readily seen at your local grocery store. Unfortunately, inflation is here to stay for the foreseeable future. As retailers, we must adapt to meet this challenge if we are to remain in business. We at PRIME are very aware of this situation, and we can help you weather the inflation storm.

Inflation impacts small business in a number of ways. One impact is inventory costs and maintaining a reasonable markup on inventory. Inflation is complicating the process. For example: you sell a product for \$10.00 achieving a keystone markup generating \$5.00 gross profit - congratulations. When you proceed to re-order, you find out the supplier's new price is \$7.50. So, when you replace the item did you actually realize a \$5.00 profit or, based on current restocking cost, did you unknowingly provide a 25% discount?

Another Inflation complication is quoting special orders. Nothing can be more frustrating than quoting a price based on outdated supplier cost only to find that prices have changed, and you are now losing money on the quote you just gave. Special orders should be handled by taking the time to contact the supplier or suppliers and working up the quote instead of going by the "seat of your pants." There is no short cut around this problem.

As inflation persists, the bottom line for us is a greater need to monitor supplier price changes on a regular basis. Staying on top of supplier price changes in labor and materials will allow you to change retail prices on present inventory to assure good profit margins. If you do not stay on top of supplier cost changes every sale's profit diminishes your working capital as replenishing inventory becomes more expensive. At some point, if inflationary pressures continue as all indications are they will, each replacement piece may result in your reaching into your pocket to restock.

This is not a simple task when considering that we have employees to pay, bills to pay, and of course, we must make money for our families. Costs are changing continuously. PRIME can help you simplify inflation complications. Our expert consultants and detailed inventory and sales reports provide you with a daily update of your business. As a PRIME Client, you receive a report each morning detailing exactly what transactions

occurred the previous day so you will be prepared. Between our expert consultants and detailed reports, PRIME can show you how to adjust inventory and special orders to best maintain your profit and your business.

We at PRIME specialize in assisting retailers in finding the path to achieving their goals and overall success in their business. We invite you to visit our website, www.NVPrimeConsulting.com, for an overall view of the services we provide. If you have questions as to how we may be able to assist you, please do not hesitate to call - 888-849-4978. Of course, all communications and information are strictly confidential.

Sincerely,

The PRIME Team – *Jim, Jeannie & Warren*

-----Professional Resources & Inventory Management Experts-----
