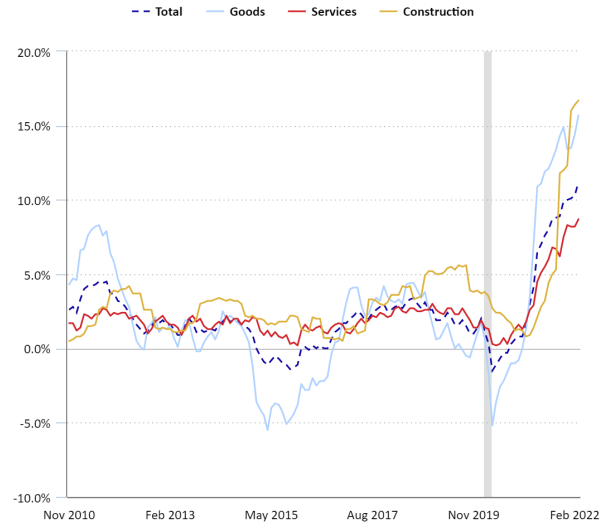


# Inflation & Your Business

## Staying Ahead of the Curve

According to the U.S. Bureau of Labor Statistics, the Producer Price Index for final demand increased 11% from April 2021 to April 2022, the largest over-the-year percentage increase since data were first calculated in November 2010.

12-month percent change in Producer Price Indexes for final demand, November 2010-March 2022



Source: U.S. Bureau of Labor Statistics

### 3 Things to Look at in Your Business

#### 1. Prices

- Have any of your vendors increased pricing that you need to pass on to your customers?
- What are you currently charging your customers?
- Have you increased your price by at least 10% over the course of the past 12 months?

#### 2. Goods Being Purchased and Hiring

- Are you buying early to lock in long-term prices?
- Are you putting down a bigger deposit to ensure you receive goods on-time?
- Are you putting non-monetary incentives in place for your team? i.e. flexible work hours, gym membership, work from anywhere, etc.

#### 3. Hedge Against Long-Term Interest Rate Appreciation

- If you have business loans or lines of credit, are you matching the terms of the loan with the type of purchase you're making?
- Are you using your line of credit to purchase vehicles? If so, your line of credit interest rate is going to go up, whereas you could lock in a seven-year interest rate today on vehicles. This way, while interest rates go up, you're still paying the lower rate.

### How much can you increase your prices before losing customers?

Use the table to the right by choosing your price increase column and your Gross Profit Margin (GPM) row. Where the two intersect is the percentage of customers you can lose and still be as profitable as you were before your price increase.

GPM	Price increase									
	%	1%	2%	3%	5%	10%	15%	20%	50%	100%
5%	-17%	-29%	-38%	-50%	-67%	-75%	-80%	-91%	-95%	
10%	-9%	-17%	-23%	-33%	-50%	-60%	-67%	-83%	-91%	
15%	-6%	-12%	-17%	-25%	-40%	-50%	-57%	-77%	-87%	
20%	-5%	-9%	-13%	-20%	-33%	-43%	-50%	-71%	-83%	
25%	-4%	-7%	-11%	-17%	-29%	-38%	-44%	-67%	-80%	
30%	-3%	-6%	-9%	-14%	-25%	-33%	-40%	-63%	-77%	
33%	-3%	-6%	-8%	-13%	-23%	-31%	-38%	-60%	-75%	
40%	-2%	-5%	-7%	-11%	-20%	-27%	-33%	-56%	-71%	
50%	-2%	-4%	-6%	-9%	-17%	-23%	-29%	-50%	-67%	
67%	-1%	-3%	-4%	-7%	-13%	-18%	-23%	-43%	-60%	

Source: Profits Collective