

# Helpful Strategies Can Grease the Skids When Handling Inflationary Oil Cost Spikes



**Gene Marks**

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## **Gene Marks:**

Hey everybody, this is Gene Marks and welcome to this week's "On the Mark" where I take a headline or news of the week that affects our small businesses and give you some of my thoughts on it. And, of course, we cannot really talk about the news of the week without talking about inflation because that really is the big news of this week.

It looks like inflation is continuing to go up and the Consumer Price Index is at a 40-year high and driving that are the increases in oil prices. The average cost of a gallon of gas in the U.S. is now around \$5 a gallon. It has almost doubled in the past year to year and a half. So, it's having a big impact. Now, whenever you hear about the cost of gas you think about driving around and what impact that has on travel and how people are going to be using their cars or not in this era of higher gas prices.

I have to tell you, as a business owner, higher gas prices impact a lot of prices in your business because there a lot of different things you are paying for in your business that are petroleum based. I am telling you right now, a lot of these costs are going to be going up in the very near future.

What kind of costs are we talking about? Well, there's the cost of utilities, the cost of freight and logistics, the cost of office supplies, travel and commuting. If you're in the kind of business that uses solvents or lubricants or bearing grease or whatever or wax and plastics or film or vinyl or ink or dyes. If you're in the ag business and you use fertilizer. If you have machinery that uses refrigeration or fan belts or if you're planning on construction projects that use paints or brushes and rollers or other construction materials, all of those things have some portion of petroleum in them and all of these things have a petroleum-based type of material. That means that the cost of all these things — these core things you are using to run your business — are going to be going up.

So, I am telling you this now, and my smartest clients, the best business owners that I know, they're always looking ahead. So, if I am saying to you that the cost of a lot of these items are going to be going up in the not-so-distant future, well, what can you do? So, let me offer you some advice in the few minutes that we have.

First of all, when it comes to utilities, a couple of thoughts on utilities: consider getting a utility audit, which means that if you Google “utility audit” you will find an industry — a boutique industry — of independent firms that audit utility bills. You send the company that you choose maybe your last five or six months of utility bills, they go through those bills — often times they find mistakes in those billings — and they will actually negotiate with your utility company to fix those problems and hopefully get you a refund. They’ll take a percentage of it, of course, anywhere from 30 to 50 percent, but, hey, this was money you didn’t even know existed. Most importantly, once your utility bills are audited, you’re protecting yourself from any potential overcharges. You don’t want that as the cost of your energy is going up, right?

The other thing when it comes to an audit is call up your utility company and ask them to visit your place of business and audit you. Most utility companies will do that for free. They’ll take a walk around, they’ll point out “You need to fix this window. You should put some insulation here. You should turn down the temperature there.” They’ll make all sorts of suggestions for you to lower your utility bills. That’s part of the public service that a lot of utility companies do. So, take those steps.

How about freight and logistics? We all know the cost of trucking, obviously the cost of gasoline and the cost of airfare. It has contributed to the more than 40% increase in local domestic shipping costs just over this year alone. What do you do? Well, there, I don’t have a lot of answers for you because it’s tough. It’s tough to cut down on freight and logistics because you still have to ship out your products.

Sure, you can look at other freight and logistics companies, but my best piece of advice for you there is to try to talk to your customers, particularly your better customers. I have some clients that are offering, they’re doing temporary surcharges and they’re talking to their best customers about the cost of freight going up so much that we would like to share or split this cost temporarily until the cost gets back to being something normal. Some of your customers might agree. Some might not agree, but it’s really a cost that I don’t have really good answers for when I talk to my clients and readers, but it’s definitely something you should consider discussing with your customers.

Office supplies in your business — pens and printers and equipment. Stop buying that stuff. First of all, you’ve got plenty of office supplies. I’ve seen your closet, it’s a mess. There’s plenty of stuff you could be using. Plus, a lot of your employees are working from home, right? So, try to cut back on those office supplies because you’ll find that the cost of those — many petroleum based — are going up significantly.

Travel and commuting are obviously a big deal. The more you can have your employees working from home, the more they will save on gas prices and the more you will save because a lot of my clients have been helping out their employees with the higher cost of transportation. So, try to have them work from home as much as possible.

The other thing you need to consider is traveling to see your customers or going to conferences, airfares are already spiking because of energy prices. This might be something you might want to put off until next year because travel costs themselves driven by fuel costs going up significantly.

Like I mentioned earlier, if you’re in the business of buying solvents or lubricants or bearing grease or rubber or wax, film, vinyl, ink, dyes, fertilizer, my advice to you is to buy bulk and buy now. Most of my clients look at these core materials for their businesses and they know that those costs are going up over the next six to 12 months — it’s almost guaranteed. So, like any businessman, like any person or businesswomen, like any person that’s doing business, you buy low and you sell high, right?

Although, for all those common, core materials, if you’ve got the financing, if you’ve got the cash available, if you’ve got the space available, the best thing you can be doing is buying that stuff bulk because you know that if you buy it now then you’ll be able to sell it at a higher price later on. I realize it takes a cash

commitment, but it is a way to make money on this stuff rather than holding off until the prices start going up because they are going up as we speak.

Finally, I mentioned earlier about refrigeration and fan belts and paint and brushes and rollers and other construction materials, if you're doing any construction projects this year in your business then you might want to consider holding off for this year or sometime into next year. All of these costs of construction materials are going up. Even just operating the machinery to do, I don't know, demolition or to do any kind of automated construction work at your company, all of that stuff takes fuel.

If you can do maintenance on your machinery that uses refrigeration and fan belts, do that now without replacing the stuff because, again, all those parts and materials, the prices are already going up and will continue to go up.

So, listen, we know right now that the cost of petroleum has gone up significantly. The cost of oil has gone up significantly. We expect that and inflation to be with us for a good six to 12 months until things really calm down. So, my smartest clients are taking steps right now. They are looking at all the individual costs and they are having strategies and actions to making sure they are dealing with them. I hope you take this advice, as well, to your business.

My name is Gene Marks and you've been listening to "On the Mark". If you've got any question or you would like to suggest some guests or you would like some advice from us, please visit us at our webpage, [payx.me/thrivetopics](http://payx.me/thrivetopics). That's P-A-Y-X dot M-E/thrivetopics. Inflation is high. That's the news this week. What will the news be next week? Well, tune in then and we'll find out. Take care.

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