

Double-Digit Inflation

How it will affect dealerships & how to reposition

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Despite reassurances from economic authorities, it is no secret that prices are on the rise. Within a single year, the median price for homes was up 20%. Used cars and trucks were up 24%. Furniture was up 11%. Steaks were up 22%, eggs were up 12% and bacon was up 19%.

By now, it is obvious that serious, double-digit inflation is already underway and affecting the economy, despite desperate attempts from authorities to sweep this data under the rug. This is why it is so vital for office technology dealers to understand how increasing costs will affect our businesses and, more importantly, how we can prepare ourselves so that we emerge from this financial crisis stronger than ever before.

The key for office technology dealers is that if we want to emerge successfully from these choppy economic waters, we need to make firm decisions, early on, so that we can avoid the bulk of the storm, instead of trapping ourselves in its eye through blind hope and negligent decision making.

Typically, we already know what needs to be done in order for us to make it through periods of economic uncertainty — reduce costs, increase prices and trim the fat of our organizations. However, most of us are reluctant to take those essential steps, despite knowing deep down that they will inevitably serve our customers, employees and all who rely on us in the long-run.

During the 2008 financial crisis, the companies that acted decisively and made firm decisions early on ended up making it through the rough period with stronger companies as a result. However, it is only human to feel resistance when we are faced with uncomfortable decisions. There are a few common, limiting beliefs fueling this hesitation that are unique to the local/small business owner who has been put into a very difficult situation through widespread inflation. However, in this article, we will clarify these myths and explain how to transcend these limiting beliefs so we harness this growth period with stronger office technology dealerships than ever before.

There are three main fear-based beliefs we must overcome



in order to set ourselves, our clients and our employees up for success:

(1) “If I increase prices, I’ll ruin all my relationships.” With rising costs in virtually every industry, it is irrational for us to pretend like those increased costs have not reached our balance sheets as well. This means that as our costs increase, in order to maintain our margins, our prices

need to increase as well. However, even though it is completely rational for our clients to expect price increases from us during inflationary periods, most small-business owners fear that if they raise their prices by any amount, they will immediately lose all of their clients.

This limiting belief is based on the premise of not wanting to ruin customer relationships and the assumption that price is the only factor affecting our customers’ decisions to work with us. However, if a client relationship is so fragile that he (or she) is ready to jump ship at a hair trigger, how strong of a relationship do we actually have with him in the first place?

Typically, small-business owners who struggle with growth over the long term have marketed their businesses poorly, positioning them as indistinguishable commodity providers whose only differentiators are that they are more affordable options. We make the claim that we will deliver superior customer service in comparison to our larger, indifferent, inaccessible competitors and that is typically the only promise we need to make to win their initial business. However, in order for us to maintain our exceptional service levels and our reputation in the community, we have to ensure that our organizations are healthy. When we let profits slip away, there are only two ways to remain in business (both in the positive sense of the phrase): (1) take advantage of our clients or (2) take advantage of our employees.

Ironically, the best way to build strong relationships, a strong reputation and superior customer service is to ensure that our own organizations possess adequate financial health. How much better positions would we have been in if we had retained an additional 10% of profitability over the

past decade? How much stronger would we be positioned to weather this storm?

For most small-business owners, it is not a pricing problem — it is a marketing problem disguised as a pricing problem. However, if we want to reposition ourselves for truly sustainable success, where we can regularly weather economic uncertainty, we have to elevate our positioning from being “order takers” to becoming trusted advisors. Those caliber of client relationships are not structured on price alone; they are built through a combination of communication, relationship building, strategic thinking and proactive insight delivery.

(2) “I can ignore this because I already have automatic price increase clauses built into client contracts.”

While this does put us into a much more advantageous position than twiddling our thumbs, it also overlooks the scope of what is happening to the U.S. economy. Larger players have not only acknowledged significant inflation, but have already taken decisive action to combat that inflation.

In fact, according to CNBC: “Microsoft informed partners that organizations paying by the month will face a 20% hike unless they move to annual subscriptions.” This is an additional penalty they are adding to their already 8.5% to 20% subscription cost increases, depending on the user tier/bundle. So, the big players are literally forcing clients into price hikes or longer-term subscriptions not out of frivolity, but because they understand the gravity of the economic turbulence we are facing.

While we may not want to be as aggressive as that, the implication is clear. We cannot ignore double-digit inflation, sit on our hands and hope blindly. We need to make adjustments to keep ourselves profitably in business, so that our customers continue to be serviced properly and our staff members can continue to remain employed.

Oftentimes, especially among office technology dealerships, even if there are automatic price increases written into client agreements, it is very common that those price increases have not actually occurred for years. This is another indication of the small-business mindset that prohibits sustainable growth over the long term, which is being highlighted through inflation. In many ways, these inflationary pressures are amplifying the effects of obsolete business practices that we must transcend in order to elevate everyone we can to the next level.

(3) “Competitors will take all of my clients by offering cheaper prices.” Another common fear is that competitors will undercut us and take all of our clients. However, unless we are running an operation that is unnecessarily bloated,

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our competitors will not be able to sustain themselves for very long at those undercut, insufficient rates.

Just like us, they will soon face the same dilemma of whether they would like to either take advantage of their clients or take advantage of their employees to remain in business. Over a very short period, it is highly likely that they will put themselves out of business by not understanding the nature of our industry.

While it is tempting to succumb to these fears, if we truly understand our industry and our numbers, we know what it takes to sustain any healthy business and our conviction to that is not cruelty — it is good leadership.

Repositioning Ourselves

How do we emerge stronger than ever before by repositioning ourselves in the market? If we have the courage to face reality, we can make the adjustments that likely have been in the back of our minds for years, if not decades.

While double-digit inflation is nothing to balk at, it is an opportunity for us to refine our offerings and streamline our businesses so that when we emerge from this storm, we are stronger than ever before. As inflation wipes away weaker competitors, all of their customers will need to migrate toward healthier providers that have the long term in mind.

If we take action quickly, we can harness this challenging period to become more innovative, more productive and stronger than ever before. Then, when all of those customers are searching for elite providers, our companies will be the first that come to mind. While the reality is that inflation will cause a challenging economic period, it is up to us to utilize that challenge to empower ourselves — or let ourselves be disempowered by circumstances. ■

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