



TORO

NAVIGATING THROUGH INFLATION UNCERTAINTY

HOW TO MANAGE AND COMMUNICATE PRICE INCREASES TO YOUR CUSTOMERS



Skyrocketing raw material costs, soaring shipping costs and rising wage rates amid an economy recovering from a pandemic prove there are numerous reasons why industries are being forced to raise prices. The nation is experiencing the highest inflation rate in decades — and price increases are a given in any inflationary environment.

- **Know you're not the only one.** Nearly everyone in every industry is raising prices, so don't feel horrible for doing so, too. Many smaller contractor business owners morally struggle with charging more. But you deserve your bump, too. Demand is high and consumers are becoming accustomed to price increases because it's happening in every facet of our lives.
- **Don't be the discount contractor.** Consumers have a willingness to pay more for things that will improve their lives. So, resist the urge to give discounts or be the lowest-cost contractor on the block. You have a right to charge what you need to charge. And look at

the big picture — as a businessperson, you have a social responsibility to run a profitable business and give back to your employees, community, family and yourself. Plus, your competitors are raising prices so they can be profitable, be successful and sustain themselves for the long term. You should, too.

- **Empathize. Don't apologize.** Don't let the words "I'm sorry" come out of your mouth. This isn't your fault. You are simply reacting to the world around you. Instead, empathize. Let customers know you feel their pain, but you're facing difficulties, too. You need to be a long-term resource for your customers and the only way you can do that is to financially react to the times. After all, if you extend a warranty to customers, you need to have longevity, and you can't do that if you're out of business.

- **Protect Yourself — Put clauses in your contracts.** Since prices keep fluctuating, you don't want to be liable for unforeseen changes in the market, which are happening every few months. And since demand is high and you can't install immediately, there's a time lag. So, don't let estimates have a shelf life longer than 24 hours. Let customers know the price you're quoting them today is good for today and tomorrow, not 30 days from now. Additionally, since you may not be able to complete a job for 6 to 8 weeks, include a clause stating if the cost of materials goes up, there will be a change in price. Or, have customers pay up front for materials and you can buy them now for the job you'll do for them down the road.

In the end, a customer could back away from a job, and you could back away, too. That's fine. But starting the price increase conversation in a businesslike fashion, instead of in an apologetic, emotional state, helps build a mutual understanding and keeps everyone on the same page from the beginning.