CKR Financial Services
monthly journal

HELPING OUR CLIENTS GAIN THE ADVANTAGE OVER THE COMPETITION

Business slumping? Try This-

Cut costs here, invest there, and you may get back on track.

Is your business in a slump? It happens to all of us at some point. Being a small business owner goes through ebbs and flows of customer attrition and client intakes.

If business is slumping, it's crucial to make decisions about where to cut costs and where to invest for recovery and growth. Here are some suggestions:

First costs to cut:
1-Non-Essential Expenses: Review your expenses to identify any non-essential costs that can be reduced or eliminated, such as subscriptions, unnecessary travel, or office perks. Look for redundancies in software that maybe you can gut. Maybe you aren't using a software to its fullest potential and can manage with another system you already have? These are often low-impact cuts that can quickly improve your cash flow.

2-Ineffective Advertising and Marketing: Cut back on campaigns or channels that are not yielding positive returns on investment (ROI).
3-inventory and Supply Chain Costs: optimize inventory levels to avoid overstocking, which ties up capital and try negotiating better terms with suppliers to reduce costs. Or try new vendors or off-name products if it doesn't void the warranty. Amazon and Sam's branded products have worked well for us and saved money at the same time.
AREAS TO INVEST IN:
1-Customer Retention and Acquisition: focus on initiatives that enhance customer experience and loyalty. Engaging current customers can often be more cost effective than acquiring new ones.
2-Digital Marketing and Online Presence: Digital marketing can often give you more bang for your buck with targeted
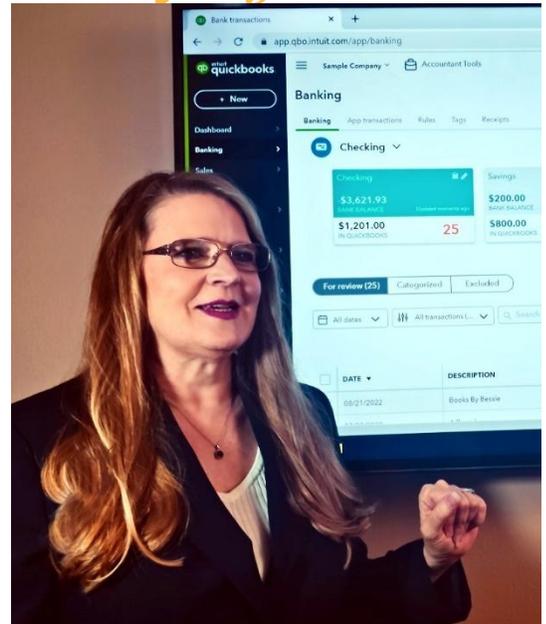
advertising to demographics you want to reach. We are working to use more digital platforms to broaden our audience, so stay tuned!
3-Efficiency Tools and Technology: Invest in tools and technologies that increase operational efficiency such as automation software or customer relationship management (CRM) systems.
Finally: Raise prices: while not popular or pretty, sometimes it is a necessity, especially if your cost of goods has risen and diminished your once-healthy profit margin. Don't bankrupt yourself by not covering your expenses.

A frank talk about tariffs

What are they? Who pays? Are they successful? Here's a non-politicized look at the beast.

What is a tariff? A tariff is a tax or duty imposed by a government on goods and products imported from other countries.

What is the purpose of a tariff? Its primary purpose is to increase the cost of imported goods, making domestic products more competitive, protect local industries, or generate revenue for the government.

Who pays? The long and short of it is: the end user (consumer).

From the perspective of American companies, it starts like this: A tariff is set by a country's leaders. For instance, if the US sets a tariff of 25% on all goods coming in from Canada, once the product is received in the US, the importer (person receiving the product in the USA) pays the tariff (which may also be called a "foreign tax" or "VAT"). This is paid to the US Government.

Now that the product is received state-side, the price of the product has increased because of the tariff. This cost gets passed on to the next stop, whether it is a manufacturer or end user. In the case of lumber, aluminum, or steel, these manufacturing supplies are now folded into the cost of the item produced with these raw materials, whether it is a home, a bolt, or a piston. Since the cost to bring the item in went up, the price of the manufactured item goes up, which, ultimately, is passed on to the end user, or consumer. So, when the US places a 25% tariff on all items brought in from Canada or Mexico, those countries do not pay the tariff, the US consumer does because the price of the goods are now higher.

If you are in the service industry, such as Plumbing or Electrician, you will see the cost of products used to conduct business may have increased if they are produced out of the country. Many light fixtures, semiconductors, circuit boards, faucets, pipes and fittings are manufactured outside of the USA. When tariffs are applied to these granular items, electricians and plumbers are not going to absorb that additional 25% cost, they will raise their price, as well, and will pass it on to the consumer. The way tariffs are designed to work is to level the playing field so that your electrician or plumber will now look for USA-sourced semiconductors, circuit boards, faucets, pipes and fittings instead of using the foreign parts since they now cost 25% more.

It is difficult to use tariffs these days without retaliation, resulting in trade wars and the backing down of announced tariffs until some agreement or resolution is made.

Small businesses will be on the frontlines of tariffs. They will be the first ones to feel the pain. Small businesses will be the ones that have to raise their prices because they cannot afford to absorb the increases since they typically run on tight margins already. This will also force small businesses to do what tariffs are designed to do, which is to reevaluate their supply chain to see if it is cheaper to buy American-manufactured items since the foreign goods are costing more.

End-use consumers will also have to evaluate items and sourcing to see if they can find the products they have come to enjoy at a higher price, or if they are going to put those materials out of their carts now that they have become more expensive. These shifts will determine if US-manufactured goods become competitive in the marketplace.