Why Customer Communication Makes a Difference During Inflation



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Across the globe, in every corner of the economy, businesses are struggling to predict and adapt to the consequences of inflation. For months now, prices have been on the rise at rates not seen in decades. The increases have been complicated by supply chain snarls, a lingering pandemic and other forms of global instability.

Jerome Powell, Federal Reserve Chairman, issued a statement May 4, saying the Federal Reserve will continue to back the central bank’s decision to continue raising interest rates to combat inflation over the rest of this year — a strong indicator that inflation may be with us for the foreseeable

future.

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Small business, big impact

According to data from the National Federation of Independent Businesses, small business owners are very concerned about the impact of inflation. In April, the group's Small Business Optimism Index held steady at 93.2. Obviously better than a decline, the number is well below the 48-year average of 98.

The NFIB also reported data showing small business owners are not confident things would improve any time soon. In April, the percentage of owners expecting better operating conditions over the next six months fell to the lowest level recorded in the history of the 48-year-old survey. When asked about the cause of this pessimism, 32% identified rising prices as their biggest challenge.

While there's no short-term fix for inflation, small business owners can do things to help offset rising costs – the most readily apparent being to raise their own prices. For many small businesses, this is easier said than done. An April survey of small business owners from CNBC and SurveyMonkey found that 75% of respondents saw their costs increasing, yet only 40% were raising prices.

For a small business, consistency is key to driving customer loyalty, and even a small price hike can potentially have a significant impact on a customer base. When raising prices becomes necessary, a business owner's best course is to be direct and honest with customers.

Everyone is aware that costs are going up and that supply chains are strained. Communicating the rationale behind a price hike, in as much detail as you can, to customers will reduce the likelihood they will feel caught off guard by the

change. That level of communication can also deepen a customer relationship and create a sense that business is doing all they can to navigate the current economic turbulence. Giving customers advanced notice of price changes also goes a long way towards fostering trust, the key to strengthening that relationship. Just as any small business owner would appreciate clarity on rising rates from suppliers, customers will be grateful for the heads-up and honesty, if not happy to hear the news.

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Utilizing CRM to steady the ship

Although, managing this delicate communication with customers can be a substantial task for a small business owner who is likely wearing many hats. Customer relationship management (CRM) software is the ideal tool to manage a portfolio of customers, sort them into relevant groups and track previous interactions.

Leveraging a CRM solution fully can help small businesses foster deeper personal relationships with customers. Even if it’s been months (or years) since the last direct interaction with a customer, these tools provide everything a small business needs to know to best re-engage. A CRM solution is also a great tool to keep track of the little things that mean a lot when fostering customer relationships, like birthdays and anniversaries.

Small business owners are busy, and when costs are rising, marketing can turn into a low priority. Coupling CRM with marketing automation helps a business create valuable leads and stay connected with customers in an automated and intelligent way. Targeted emails reminding customers about service or price changes keep them updated, and the integration of a CRM platform makes these messages feel highly personal and authentic.

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Weathering the inflationary storm

In challenging times, small businesses are almost always hit the hardest. As costs continue to rise in the face of geopolitical and economic uncertainty, entrepreneurs must be scrappy and creative as they work to raise revenue and cut costs. This starts with providing an exceptional customer service experience — being attentive, supportive, direct, communicative and honest.

Even before the pandemic, 96% of consumers reported that customer service was essential to their choice of loyalty to a brand, with 75% of consumers willing to spend more on a product from a company that provides good customer support and transparency. Building a good customer relationship is the quickest way for small businesses to generate positive word-of-mouth and positive online reviews — which, in the end, could be the difference between sinking and swimming for many small businesses in competitive markets.

Focusing on customer relationships and experiences, while remaining transparent, in an effort to build more customer loyalty and create positive buzz around a brand will be pivotal for small businesses navigating these trying times. Leverage available technology to personalize any pricing changes and better target sensitive messaging.

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