

Is It Time To Evaluate The Prices for Your Company's Goods or Services Due To Rising Costs?

Dear J.R. Martin Clients,

We hope you enjoyed the Thanksgiving holiday weekend with your family and friends. You have probably read articles or heard news stories of rising prices and costs for goods and services this year. I wanted to provide you some brief information to think about as you examine the prices of the goods or services for your company.

The Bureau of Labor Statistics published some eye-opening information on the level of increases that have occurred for the past year to October 2021. The Consumer Price Index rose 6.2% which is higher than most years. The inflation rate for the 3rd quarter 2021 was 5.3%. Food at home or grocery costs increased 5.4%, gasoline was up 49.6% or almost 50% in price that we have all experienced over the past year. I thought this one was interesting - used cars and trucks prices were up 26.4% this past year due to supply issues but the new vehicle prices were only up 9.8%.

The USDA Economic Research Service shows wholesale beef prices climbed 14.2% from July to August 2021 and price projections point to a possible 20% increase in beef prices this year.

Some of my clients have been mentioning the cost of construction materials has increased and have even seen price increases from suppliers every couple of months. Trying to hire employees or subcontractors for construction work has become more challenging and expensive with wage or cost increases occurring. I was reading an article in October which showed that the material costs for 2021 had a significant increase of 23.1%. In another article the Bureau of Labor Statistics showed the price of retail hardware was up a whopping 31.4% between November of 2019 and November 2020.

Another area that I continue to read and hear about from my clients and others is the challenge in hiring good employees. I read recently that Amazon is paying all US employees \$15 an hour and their average hourly wage is \$18 an hour. Here are a list of companies paying \$15 an hour in the area: Costco, Disney, Target, Chipotle, CVS,

Starbucks, Universal Studios, Walgreens, and Walmart. We are seeing the cost of labor continue to increase which will mean most employers will need to pay more to get and retain good employees in the future.

As you evaluate the situation at your company you should determine if you will need to raise your prices in the near future by possibly 5% to 15% or more in order to be able to pay for the materials, cost of labor and expenses needed to continue doing business as you have in the past years and to maintain the profit margins that are expected for your business.

Our firm continues to evaluate as well. The financial and economic increases affect all service deliveries and companies. As a result, we have determined that an increase to fees will occur this year. We are dedicated to providing the best and efficient services to our clients and understand that rising costs is an adjustment for everyone.

We are here to assist you with the financial information needed to evaluate your situation and to assist or discuss your particular cost or pricing issues if needed. We appreciate your business and look forward to the new year ahead working with you.