

March 22, 2022

MEMORANDUM

TO: SBDC Network

FROM: MD Austin

SUBJECT: Lessons Learned from How Rising Fuel Costs Are Impacting Small Businesses

First came the pandemic and now inflation and rising fuel prices. Some business owners that rely on fossil fuels for their livelihoods are feeling slammed yet again.

A recent report has found that some small businesses are particularly hard-hit by rising fuel prices. For example, a small limousine business has found their fuel cost rose by almost \$40,000 per month due to higher gasoline prices. To cope with this increase, they have implemented a 5% fuel surcharge. To date, clients have not balked at the extra fee.

A poll by Alignable (a small business network) has found that fully 68% of respondents indicated that the effects of high gas prices have been “very significant” and have hurt their efforts to recover from the pandemic. Minority-owned business owners and those that are heavily reliant on transportation, such as trucking and taxi services, are experiencing outsized effects.

So, what can small businesses do to survive the recent uptick in fuel prices? Some small business analysts recommended the following:

- Raise prices – this can work better with some businesses than others
- Look for efficiencies elsewhere in the business – including:
 - The cost of labor
 - Vehicle efficiency
 - More economical delivery routes
 - Adjusting where equipment is used
 - Creating worker carpools in company cars
 - Monitor speeds of company vehicles to save fuel
 - Sign up for gas discount programs
- Set aside cash reserves ahead of time to address fuel cost fluctuations
- Run a “lean and mean” operation

A separate survey from Alignable regarding the pandemic found the following:

- 29% of small businesses have fully recovered
- 42% have earned 50% or less of their pre-pandemic revenue
- 43% of respondents stated that inflation has been their #1 concern

Thus, the road to recovery continues to be fraught with landmines for many small business owners. Only those that are nimble and willing to pivot will survive and thrive in the post-pandemic economy.