

Surviving in a High Inflation Environment

Author: Fadzai Danha . October 2019

Surviving in Zimbabwe has become increasingly difficult especially for businesses. This is because of inflation which is estimated to be at 488%/year by Professor Steve Hanke, an applied economist. Naturally this is cause for concern for business owners but it is now the norm. The time for crying about it is over, businesses need to acknowledge the situation and work within the given environment. This means that there is need for the development of strategies to deal with and persevere through a high inflation period. This article looks at a few tips which may help to ensure survival of some businesses in this inflationary economic environment.

During a period of inflation, prices rise of goods and services spike rapidly. This impacts the cost of living and the cost of doing business. Suppliers of goods and services have responded by increasing their prices. This develops a brutal cycle of rising costs and increased prices which disrupts business planning.

The following are tips on how to make it through inflation:

1. **Evaluate revenue streams.** You should modify your revenue forecast to accommodate inflationary pressures and make necessary adjustments in advance of rising prices. Revenue streams need to be as clearly defined as possible. Hence, it is not just enough to list the sources for your various revenue streams but equally important to specify their projected lifecycles and potential revenue accounting for changing rates. This is crucial in evaluating whether it is profitable for your business. It may be necessary to shift from Recurring Revenue (The [recurring revenues](#) are earned from consistent ongoing payments rendered to the company for either the delivery of the value proposition.) to Transaction Revenue (These revenues are earned from the customer making a one-time payment for the product or a rendering of a service.) This will help in ensuring that you maintain value from the money before it is affected by the changing rates. You should also consider other methods of generating revenue.
2. **Reduce costs:** Even if the market allows you to raise your prices during high inflation, you will still need to reduce your costs. Cost reductions will increase your profit margins during the high inflation period whilst also minimising your losses. Secure long-term contracts with suppliers and consider the possibility of workforce reductions. Also re-evaluate complex expenses and cut down on any avoidable costs
3. **Reprioritize customer loyalty initiatives:** During a time of extreme inflation, customer loyalty could be your saving grace. As prices increase, your existing customer base will be tempted to jump ship for lower-priced alternatives. Secure your customers by creating value-added incentives that encourage them to remain with your brand, even when prices increase.
4. **Evaluate your supplier situation:** While the amount you pay your suppliers may directly hinge on inflation in some cases, it's still wise to regularly evaluate your supplier situation. Always keep an eye on what your suppliers' competitors are offering and shop around for better deals. It

may not be worth changing suppliers if you've built up a meaningful relationship with good ones, but chances are, you can find ways to save some money in this area, even if it means re-negotiating with existing suppliers.

If you consider the above suggestions it can help positively influence your bottom line.

Fadzai Danha is a consultant at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm.

Phone +263 4 481946-48/481950/2900276/2900966 or cell number +263 775 657 124 or email: fadzai@ipcconsultants.com or visit our website at www.ipcconsultants.com

<https://thehumancapitalhub.com/articles/Surviving-In-A-High-Inflation-Environment>