Welcome, everyone, to another episode of the Main Street Business Insights podcast. I'm

Matt Wagner, Chief Innovation Officer at Main Street America and your host for the

show. And today, our topic du jour is really about the tariffs. And so I'm going

to be talking about 12 tips for Main Street businesses for basically how to consider

navigating tariffs. So we're not going to go into big definitions about tariffs, but

if you want to talk about maybe different ways to pivot, shift, look at your

business and your business practices to help you to sort of get through and

hopefully navigate well, be more resilient as it comes to the world of tariffs.

If you haven't been following the media and what's been going and the United States

government is currently engaged in really ongoing negotiations on a host of fronts

around international tariffs. And currently we've got a 10 % tariff placed on products

from China and a 30 -day pause, the latest update on tariffs impacting Mexico and

Canada. And so more news to come obviously as we approach into March.

As such, the situation is quite fluid, as you can imagine. Many of you are probably

used to some fluidity over the last five years coming out of the pandemic, in which

there was a number of shifts that needed to be made. There was a lot of unknowns

in terms of consumerism and what was gonna change there, supply chain management was

always in flux. And so a lot of the themes that I'll be talking about are really

ones that some of you may already be used to and just kind of made it dust off

the game plan from the pandemic. But nonetheless, I think from a business

perspective, it's really important to build as much resiliency into your operations

for these unexpected situations. And really, the following is just a series of tips

that we've examined and looked at that all business owners, I think, can consider

while staying informed, of course, and evaluating any impacts these sort of changes

might have on your business characteristics and situation at hand. So let's get

started, all right? So first area I wanna talk about is really assessing your

current supply chain for vulnerable areas. And that's really critical based on the

news that we have right now, understanding how much of your product mix actually

comes from these current target areas like Mexico, Canada, or China.

And even I would keep a lookout for the European Union. There's been a lot of

discussions, nothing hardcore at this point but certainly mentions about how they may

be a potential target over the coming months. And so I think you need to get ahead

of the game if you're importing products from where that's part of your supply chain

or your supplier supply chain, of course, over the next coming months. Recognize that

most suppliers will probably plan on making pricing adjustments within 30 in 30 days

of any noticed tariff, enough to get caught up where they're gonna create a new

price list for you. So try to get a hand of the game, start to assess your

current supply chain, where your product's coming from. You probably know

instinctually, but it's helpful because different product mixes can change over time.

And many of your vendors are probably also doing the same thing. So or understand

kind of where their shifts may be coming from as well. The second area that I want

to mention is just knowing your numbers, the hardcore financials of your business.

If you're in a high margin business, much like many main streets are simply because,

you know, we're not typically transactional, like a Walmart or an Amazon or something

like that. it is, it does tend to be many more like, especially where it's in the

restaurant, food and beverage sectors or apparel or whatever, we tend to be more on

the, the specially experiential side, which will typically mean higher,

higher margins. So hopefully there's a little bit more wiggle room and like a

grocery store for existence that has very slim margins that they can sort of shift

in order to gain some pricing elasticity with consumers. So hopefully that flexibility

may allow you to raise prices less aggressively or be more thoughtful in your

approach to pricing and still make a decent profit margin. I know that can be

difficult, but you know first get to know where you're at by inventory mix on

margins because not every product has the same margin, obviously. Also,

I think as I mentioned earlier and sort of the setup to the show, I would look

back during 2023, you may recall, is when I think we were upwards of eight or nine

percent inflation, okay, and essentially tariffs act like that,

right? There's a pricing increase because of what's coming in if you're importing

into the country. And so it acts as another sort of inflationary sort of juicing

the inflation. And so see what you did back then, how did you react? How did your

consumers react to some of the price shifts? So recognize that in some ways you've

been through this before, look back, how did you react, what worked, what didn't

work, and how did your consumers react? Was there some pushback?

Did you see any trickle, you know, off of where your sales numbers were as a

result, or at least in sort of like the number of tickets headcount within the

store? So this isn't totally new but just in a different way in terms of what's

increasing pressure on your pricing structure.

Third is order now and build stock if you're in a position to.

I know not everyone is in that position. Cash flow can be tight or even like the

amount of storage you have in the store or in your business, or if you're in the

perishable side, it's kind of impossible to do so. But if you are in a position,

maybe consider. So if business relies on imported product goods,

can you buy more inventory now before these sort of pricing shifts go into play?

For example, check out, do you have a line of credit? Again, if sort of cash on

hand is not available, do you have a line of credit you could turn to? And then

kind of weigh the risk reward of might have to pay some interest,

but is that pricing difference of what you're going to see happen as you look ahead

going to make that interest is far less than what the price increases is gonna be.

And so you're coming out ahead relative to margins and just the cost of inventory

overall. So kind of weigh the risk there. And another consideration,

I think, is just the availability of operational cash flow. It's always important not

to get too far out in front of your skis, as they say. And As I mentioned before,

if you're dealing with perishables, it really makes it quite tough to be able to do

that. So stretch as much as you can, buy if you can,

as you forecast out, but recognize your risk tolerance and how much cash on hand

you've got to make that happen. All right, I would also advise start researching

other suppliers. I think there's going to be quite a bit of shifting going on

depending on how intense. I think the China situation is somewhat limited,

but if things pop more in Mexico and in Canada,

if the European Union tariffs or at least that dialogue gets hotter,

It may be worthwhile then starting to research other suppliers to diversify as much

as you can or have sort of a plan B and C If if there are shifts there Consider

the location of your suppliers. Where are they sourcing understand get deep there?

As as you can have that dialogue there may be opportunities to diversify simply by

location in avoiding countries where a tariff is placed, perhaps coming in from a

different route even. If you can't diversify your supply chain, perhaps try

negotiating with your suppliers regarding prices or contracts. If you go out a little

bit further, will that alleviate some of the pricing? How long have you been a

customer, can you use that and leverage the tenure and the relationship and that

you're an on -time payer or whatever other factors you can put in place to push

back on some of those pricing considerations.

And there may be even an offer to discount if you're ordering a certain number of

products. So maybe you change the volume game a little bit. Again, that's dependent

on cash on hand. I'm sure lines of credit and you have storage available.

And finally, if it's non perishable, obviously, you don't want to have a bunch of

waste inventory on hand as well. Alright, consider reshoring.

This is a topic that typically arises during tariffs. And in some ways,

it's part of the policy move is by creating tariffs, do you create more incentive

to manufacture here or to source here in the U .S.?

And so part of your consideration, again, depending on product mix, maybe are there

other sort of suppliers or even like craft suppliers? I mean, I think as we look

at, you know, the main street world, there is a growing list of market for small

-scale producers, small -scale manufacturers. Does that give you,

in some ways, a value add if you're able to position, pivot to more of,

you know, U .S.-based or main street -based small -scale producers? You may have some

ebb and flows on inventory. So that's always a consideration, the consistency of the

product. But it also may give you some brand advantages by having US -based products,

being able to tell a story, have more of an experience through your product mix.

And so I think you're weighing You know the the pricing the reliance on the

inventory as well as what can it bring that's new Or may build in more margin or

pricing elasticity with the consumer Because it is locally made so always sort of

like the the way in the considerations there In terms of how reshoring may impact

your overall business model Next up, let's talk about how to limit perhaps some

other expenses and even potential investments. So we've talked more on the inventory

side and how to deal with that margins or pricing elasticity from the consumer,

the buyer. But another way is, is can we think about other controls on our

expenses, okay? So while one expense is going up, that on your inventory,

can you cut in other ways? And for instance, you know, can you hold out perhaps on

an equipment purchase or sort of like capital assets or renovation projects that you

were looking to make or even like fixtures and furnishings, you know, some of these

big or larger capital expenses, I'm sure that's part of the equation,

given sort of the uncertainty of the tariffs, how that might impact your margins,

as well as what's happening if you saw the 2025 prediction show that I did a

couple weeks ago, we'll put it in the show links. I talked about, you know, some

concerns around consumer spending and pullbacks and consumer spending. But I think

there's a lot of uncertainty in the market, tariffs certainly add to that and sort

of complicate your business model. And so I think this is a biggie, just to reduce

risk, exposure, and in some ways free up hopefully cash or the availability depending

on how you may need to maneuver versus being tied up in a big project or something

along those lines. So I think that will be key. And then the other,

obviously the other big expense for most businesses is on the labor side. And we're

already starting to see some of that impact with some layoffs and certain industries.

And so that has to be part of the consideration. You may be in growth mode and

need But otherwise, you know, how do you think and sort of balance the labor side,

which again tends to be one of the more expensive, if not the most expensive side

of your business. And less of course, you're a solopreneur or something along those

lines. All right, let's talk a little bit about communicating with your customers.

I think this is a really important intern, especially given Main Street, a lot of

our Main Street businesses, there's this close, I think, connection. That's what

makes, in many ways, the Main Street world so special and small businesses on Main

Street so special is that connection they have with their consumers. There's a trust,

there's a building bond in relationship. And I think during difficult times, much

like you likely experienced during the pandemic, it helps to communicate. It helps to

be transparent. I think when consumers recognize that, you know,

a business is having to deal with, you know, certain problems, issues, challenges,

they can be more accepting. And in fact, I think what we saw coming out of the

pandemic is, is frankly, there's just a great affinity that the small businesses that

you have in your community are sort of a quality of place, a quality of life

component, a factor in their livability, much like a great school system or having

parks and trails or great civic institutions or what have you, small businesses are

a really important part of that. They make our lives better. They give us places to

hang out or see or get, you know, a great service or what have you.

And so communicating with them even in a challenging period or even talking about

pricing increases, I think it's a lot better and we'll get you further in terms of

maintaining that bond and perhaps even strengthening the consumer desire to support

the store because you have. So I think what you do is you not only talk about the

challenges, but you emphasize the pros of what you are offering where it's the

quality, the uniqueness, the experience, really the differentiating features of your

product or your service that really can sort of move beyond the price increase,

Okay, that you're making sure that the features that you're presenting Don't get in

that the pricing increase doesn't get in the way of that So where they're only

thinking about price and just choosing sort of transaction Over the experience.

Okay All right Let's talk a little bit about The next one,

which is really about streamlining streamlining, or simplifying your operations,

okay? And here, I think what you're trying to do really is just review your current

operations and identify areas where maybe you can build some efficiencies and make

some improvements. And one big example that really comes to mind for me,

and we saw this in the food, the food and beverage industry back during the

pandemic. If you think about some of your restaurants or local restaurants or

whatever, you may recall that many of them began to kind of like simplify their

menu because supply chains were disrupted in many ways.

You know, you can never really count on what was going to be delivered, what

inventory was going to be on hand. And so rather than have a lot of options,

they really just sort of simplified its streamline from a menu. And I think that

same learning can be applied to lots of different business types where you can

really save on overhead costs by maybe just lessening some of the inventory that

you've got on hand. Obviously you need to bring in sort of a design component if

you're gonna make that decision because you don't wanna empty is as well,

but you may have to pull back on some of that and then think about like from an

interior design perspective, how do I still create a nice environment and an

experience, even though I might not have a big bulk of supply as you might

typically do. So think about from an interior design, maybe some more storytelling or

think about, you know, could I perhaps enhance the store by inviting a micropreneur

to have a pop -up inside the store. So I've got other activity happening there.

So I think there's a lot of different ways you could get creative is your, you

know, simplifying inventory or streamlining operations to still create a great

environment in order to, You know, keep the consumers coming in and creating that

experience that gives maybe settle some of that pricing issues and challenges you

might be having. All right, let's move on.

You know, I won't claim to be a tariff expert by any means,

so, you know, always think about seeking professional assistance. And that might come

in the form of your local small business development center or a SCORE, the Service

Corps of Retired Executives that provide a lot of great counseling, often free or

low -cost training as well. They're there for you. So look them up,

your local SBDC or local SCORE office. And if you're trying to think this and want

to talk with someone about it. They're great resources, they're great partners of

Main Street and can't speak highly of them enough about the work that they do and

so please reach out. Also you might have your own financial advisor or an accountant

to kind of help you to review kind of where you're at, cash on hand, what your

margins are just become smarter about how the operation is flowing where you might

be able to make cuts or as I talked about before, streamline so that you can take

in some of these pricing increases without having to do a lot of price increase for

the consumer, you know, passing that on if you're concerned about that or you're

able to adjust margins in some way. So again,

plenty of advice out there, reach out. And I think the other big thing,

if you can, this sort of goes along with seeking out the professional advice is

leverage your trade associations and networks. They are often obviously there to

support their members as well as take in from other businesses like yours what's

happening and not every business is the same obviously and so certain businesses may

be more impacted based on their typology or characteristics and so you know turning

to your trade association is going to have that that real insight into your

particular business you're in the apparel business or the restaurant business or, you

know, a fitness center or what have you, um, you know, always turn to them to see

what's going on within your particular market marketplace. Okay. All right.

The other thing is, and again, this sort of picks up on what we learned in the

pandemic is, you know, the ability to stay agile, be adaptable is a key strength

and characteristic to embed sort of in your business model and practice.

The discussions around, if you've been following the media, discussions around tariffs,

are frankly kind of a moving target. And we were 12 hours away from 25 % on Mexico

and Canada, And then things shifted, you know,

there hasn't been a ton of dialogue around the impacts on with China and the 10 %

but you know, there's more could be coming or the European Union or Mexico and

Canada could come back in less than 30 days. And so I think the key is stay

informed, but also be be able to shift when you need to.

It's always wise, no matter if it's tariffs or any other, a challenge,

it could be a natural disaster or what have you, is to plan ahead. Have that

action plan in place. If this happens, this is what I'm going to do. And I know

it sometimes is a small business owner, it can be difficult to find the time to be

strategic to think ahead. But it's way more expensive to not take the time now is

when it does occur. That's when it really gets expensive. Make your mistakes earlier

on because as time goes on, it definitely gets more expensive. So tariffs and trade

policies can change quickly. And so be prepared to be agile enough to pivot to

whether it's new suppliers, rethinking markets. There are a lot of people during the

pandemic that shifted, for instance, from B to C markets to, you know,

B to B, you know, went wholesaling, you know, wholesaling revenue lines,

or shifted products brought in new inventory. So there's lots of things that they

kind of are on the menu of what you can do and hopefully some of those were

presented here as well for you to kind of think through. So make the time so that

you don't make all the mistakes when it's really expensive. And then finally,

before I wrap up, I'll just share that like the SBDCs and SCORES and many other,

there's a ton of small business support and resources out there. We at Main Street

America, if you go to MainStreet .org can find a host of resources,

other podcasts, learn from your other businesses and videos from our digital trainers

where you can gain insights and check up on new news sort of coming out on our

small business support page and subscribe to that to get updates by leaving your

email. So go to the pages, subscribe and you'll get additional resources. For

instance, we just put out the Retail Matters 2024, chock full of trends and data

points within a whole house from what's happening in consumerism. Where are business

trends going in the economy? What about workforce, finance, even AI?

Where's artificial intelligence going? So a huge resource. So go and check that out

as well as you sort of layer on these resources. And then finally you can also

review as I mentioned my 2025 small business trend predictions for the as we look

the year ahead and I talked a little bit about tariffs in that but in terms of

more holistically other challenge points that we might want to consider in the retail

side or small business side as they as we sort of wrap that up.

All right, so that's going to do it for my sort of 12 tips for dealing with

tariffs, ways that you can shift, ways that you can navigate tariffs as a small

business owner along our main street. So that's going to do it. And as always, if

you're a small business owner and likewise to my place professionals out there that

might be listening. I hope this episode has provided plenty of new insights,

solutions and inspiration. And as consumers, please continue to support your local

small businesses and of course, tell their stories. That's the power of what we can

accomplish together as a community that loves our small businesses, loves our main

streets and wants to ensure that they're as competitive is the big folks out there,

whether you're Walmart or Amazon or what have you, but we've got to do this as a

community. And so please support them. They're really part of the quality of place

and the places we all call home. So as you think about this also,

I hope that you'll check out our shopmainstreet .org, show your main street pride,

show you love your downtowns, your neighborhood commercial districts, of course. So

you can go to shopmainstreet .org for that. And finally, remember to check out, as I

mentioned, our growing library of podcast recordings and other related films. Of

course on the Main Street America YouTube channel. Thanks for listening.

And I would also, please, please, please, please subscribe. Hit that subscribe button.

That helps to make things shine, whether it's on the iTunes or Spotify or of course

the YouTube channel. It's a way for us to spread this message even broader,

but it takes all of you to do that. So we'll try to do our part. Please help us

out. Please subscribe, like, leave a review, ask a question. My email is mwagner

@maystreet .org. So if you've got a comment or question and we want to feature it on

the show, please send it my way I would love to hear from from all of you. So

thanks for listening again, and we'll see you the next time