

Inventory & Labor Cost Increases Throttle Small Businesses

Compensation and intermediate input costs have risen more than 20 percent over the past five years, creating disproportionate pressure on small businesses.

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Leading [invoice funding company](#)

Charter Capital says inventory and labor cost increases are cutting into profit and creating cash flow challenges. Small businesses are

disproportionately affected. Additional insights are shared in “[6 Tips for Managing a 20% +](#)

[Inventory & Labor Cost Increase](#),” now available at CharCap.com.



Charter Capital - Factoring Made Simple

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The greatest takeaway is that this isn't a single tough year; it's ongoing and pervasive for small businesses. Oftentimes, you can't cut your way out—you have to manage costs and cash flow together.”

*Gregory Brown, Co-founder
and Executive Manager at
Charter Capital*

INVENTORY AND LABOR COSTS RISE AS REVENUE HOLDS STEADY OR DECLINES

Inventory and labor costs have been rising steadily for years, often outpacing revenue growth for small businesses.

> Inventory Cost Increase: Private-sector employer firms have experienced a 3.8 percent increase in intermediate input costs in 12 months and a 22.1 percent hike in five years.

> Compensation Cost Increase: Private-sector employer firms have experienced a 3.3 percent increase in compensation costs in 12 months and a 22.5 percent gain in five years.

> Revenue Stagnation and Loss: Just four in ten businesses

with fewer than 50 employees have seen revenue increases over the past 12 months. For comparison, nearly six in ten of those with 50-499 employees have.

“The greatest takeaway is that this isn't a single tough year; it's ongoing and pervasive for small

businesses,” explains Gregory Brown, Co-founder and Executive Manager at Charter Capital. “Oftentimes, you can’t cut your way out—you have to manage costs and cash flow together.”

COST AND CASH FLOW STRATEGIES SUPPORT STABILITY AND GROWTH

Brown notes that revenue is only part of the equation. By addressing cash flow and cost management in lockstep, smaller businesses can thrive and grow.

- > Improve Supply Chain Management: Compare suppliers, negotiate freight and payment terms, and use volume discounts when they reduce total costs.

- > Enhance Operational Efficiency: Refine schedules and workflows, cross-train employees, automate repetitive work, and reduce idle time.

- > Prioritize Higher-Margin Work: Focus inventory, labor, and sales efforts on the highest-margin work.

- > Adjust Prices and Contract Terms: Use price increases, shorter quote-validity periods, invoice minimums, surcharges, and cost-escalation clauses.

- > Accelerate Customer Payments: Invoice promptly, follow up consistently, request deposits or progress payments, and align customer and supplier terms.



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“Factoring is a financing solution that provides funds based on a business’s open B2B invoices, giving businesses fast access to working capital without pressuring customers to pay faster,” Brown adds. “Businesses can use those funds for payroll, inventory, materials, and other operating expenses. Some use factoring regularly to maintain predictable cash flow, while others leverage it as needed to cover critical operating costs.”

Those who would like to learn more about factoring or request a complimentary quote may do so by calling 1-877-960-1818 or [visiting CharCap.com](https://www.charcap.com).

ABOUT CHARTER CAPITAL

Headquartered in Houston, Texas, Charter Capital has been a leading provider of flexible funding solutions for the B2B sector for more than 25 years. Competitive rates, a fast approval process, and same-day funding help businesses across various industries secure the working capital necessary to manage daily needs and grow. To learn more, visit [charcap.com](https://www.charcap.com) or call 1-877-960-1818.

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