



## High Gas Prices: Who are the Biggest Winners and Losers?

*Small-business owners speak out about how gas prices are affecting their bottom line. Who's getting hit hardest ... and who's actually benefiting?*

By Julia L. Rogers and Geoff Williams, May 17, 2011

With gas prices near a three-year high, and the current national average at about \$4 a gallon, it's difficult to find any business not affected by gas prices. While some reports have suggested that gas may go down over the summer as demand drops, many small-business owners nationwide are nonetheless making major adjustments based on the onerous gas prices.

Let's take a look at some of the losers and winners in our oil-based economy.

### LOSERS:

**Retail stores.** Sherri Comstock, who has three Grayslake, Ill.-based brick-and-mortar stores -- The Cheshire Cat, The Spotted Crocodile and the soon-to-open Foodie -- says gas prices "have caused the wholesale prices on many items to increase, and shipping costs like UPS surcharges have gone up due to the high cost of oil." But she adds the price goes beyond that: "There are the soft costs, like fuel costs driving from our warehouse to the stores."

**Business travelers.** Comstock also says "the costs of employees' airfare, meals and hotel to events like the gift show in Atlanta and other out-of-state vendor training events are eating away at my bottom line now." Kenneth C. Wisnefski's Mount Laurel, N.J.-based SEO company, WebiMax, has 125 employees who travel frequently. He's constantly telling his workers, "Not every sales meeting is a guarantee for new business, and since we're paying the extra money for gas reimbursement, make sure you close the deal."

**Catering companies.** "The fluctuating gas prices substantially impact our company," says Tom Walter, CEO of Chicago-based Tasty Catering. "Our business relies on being able to deliver affordable, quality food to Chicago area corporations." In late 2010, Tasty Catering retired their four oldest vans and invested in four new fuel-efficient Ford Transits, which will save the company \$18,000 a year. Walter also says they recently tinkered with the way they do deliveries, switching from 15- to 20-minute delivery windows, so they can fit more food on a truck and cut back on driving time. And in

recent months, they've been forced to raise their prices, on average by 8 percent, for the first time in two years.

**Trucking-related businesses.** Armstrong Relocation, a Dallas-based company and one of the nation's largest relocation firms, reports the number of staff drivers is down 15 to 20 percent because they're all independent contractors who pay for their own fuel. To help them out, Armstrong's president Mike Gonzales recently agreed to cap the price the drivers pay for fuel -- and the company is paying anything above that.

**Small oil companies.** The major oil companies are doing very, very well. The five largest oil companies -- Exxon Mobil, Shell, ConocoPhillips, BP America and Chevron Corp -- get \$2 billion annually in tax breaks, and their profits are mostly up (BP's are down 2 percent due to the oil spill, but Exxon Mobil's profits are up 69 percent from 2010). For all the money rolling in, the higher gas prices have turned into financial cash flow migraines for smaller oil companies, such as the Pacific Heating Oil Company in Seattle. Calvin Caley, president of Pacific Heating Oil Company, says, "When I purchase from my suppliers, they take payment from my checking account within eight business days. Now, many of my customers cannot pay for 60 to 120 days more. This disparity between when I must pay and when my customers do pay affects my business, my employees, my family and me -- especially when prices go upwards so sharply. If consumers don't like the price of oil then neither do I -- multiplied by all my customers."

**Grocery/meal delivery services.** According to Zalmi Duchman, CEO of Surfside, Fla.-based company The Fresh Diet, as much as 95 percent of the cost of running a fresh meal or grocery delivery service is related to food delivery costs, so he and other similar companies have been especially hard hit: "As gas prices have gone up, our weekly bills have risen with them. To combat the negative effect, I had to act quickly, so I actually cut my prices. I sent a personal email to current clients giving them the opportunity to lock in deeply discounted meal prices for as many months as they would like. As a result, some of my customers [prepaid] for as much as two years' worth of my service."

**Food trucks.** The average food truck has a 20-gallon diesel-guzzling gas tank, gets 10 miles per gallon, logs about 50 miles daily and operates for approximately 25 days each month. Obviously, high prices at the pumps can cut deeply into food trucks' bottom line. But are proprietors raising customer prices? Jackie Valent Lucca, owner of the Milwaukee-based truck The Fast Foodie, says she has made the conscious choice to keep prices steady and explore creative business practices and fuel alternatives. "Because we know gas prices affect our customers, too, we're taking the hit right now. We're also exploring the option of converting our generator to propane, which would reduce our costs from \$4-plus per gallon to \$3 per gallon and also help the environment. Another thing we are doing is serving office parks inside the lobbies vs. taking out the truck. We do all the cooking at our base kitchen and then serve inside the buildings, which eliminates all the fuel costs attached to running the generator."

**IT/tech consultants.** Many IT entrepreneurs regularly drive out to work on-site, a

practice that can add up at the pumps, especially for those with wide service areas. Industry experts at Raleigh, N.C.-based small-business financial analysis firm [Sageworks, Inc.](#) predict that as teleconferencing and videoconferencing software continue to mature, IT consultants could ultimately stay close to their clients, even if they're taking less in-person meetings and going on fewer service calls. Elizabeth Hannan, owner of New York City-based digital consultancy Blue Blazing Media, has been taking advantage of advanced technology solutions to communicate with her clients since gas costs went on the rise: "To save on gas, we have maximized on virtual phone conferences using Skype or WebEx, allowing us to continue to offer a diverse menu of services to our clients."

**Florists.** Everyone involved in this industry -- from growers to wholesalers to independent flower shops -- relies heavily on shipping to ultimately get flowers to customers. And because shipping costs can vary significantly even on a daily basis depending on gas prices, the cost trickles down to the customer. Many flower shops have tried to avoid increasing their prices significantly by getting more selective about or decreasing their service areas and the amount of deliveries they do per day, charging higher prices on big flower-related holidays or by charging a higher minimum for what they'll deliver. Scott McBride, manager of Toledo, Ohio-based florist Myrtle Flowers & Gifts, increased delivery rates last month in anticipation of the high volume of orders for Mother's Day. "If gas prices rise significantly, we might consider another hike," McBride says. "But we're going to try and keep them as low as we can for as long as we can."

**Lawn care companies.** Landscaping and lawn-mowing businesses could also experience pain during the summer months if gas prices stay high. Gas prices make up about 15 to 20 percent of lawn care companies' budgets. Ultimately, many companies may have to decrease their service areas or give up some of the higher-paying customers who have bigger lawns or more complicated landscaping needs. And because cutting grass and planting/landscaping gets highly competitive, most small companies have very little wiggle room when it comes to increasing their rates to make up for inflated gas prices. Chattanooga, Tenn.-based lawn care and landscaping business strategy company StartALawnCareBusiness.com notes that even if gas remains expensive, lawn care companies can still do a lot to get the most out of their fuel, including keeping vehicles and equipment in good repair, minimizing service areas to avoid long driving distances and being diligent about planning daily schedules.

## **WINNERS:**

**Bike shops.** According to recent analysis by Boulder, Colo.-based retail tracking firm Leisure Trends Group, sales of new bikes rose 9 percent in the first four months of 2011 compared with the same quarter in 2010, and road bike/commuter bike sales increased by 29 percent. While these numbers aren't necessarily directly related to the gas price hike, shops in cyclist-friendly cities like Portland, Ore., have seen big differences. Melinda Musser, communications and marketing manager at Community Cycling Center in Portland, says, "Our May bike shop sales are shaping up to be the best since 2008." Mychal Tetteh, director of shop operations, believes more people could gravitate to

bikes as alternatives to cars: "We have certainly seen more people in our shop for transportation and utility purposes."

**Cloud-based companies.** Michael Knight, CEO of Fox Valley Technical, a Hampshire, Ill., consulting firm specializing in technical solutions for companies, says profits are up because his firm helps businesses find ways to hold meetings online. "When fuel costs went berserk, my clients couldn't absorb the escalating travel costs to hold their board meetings in person. For my business, the result was an uptick of 80 percent in queries received and sales on products like Microsoft's *LiveMeeting*, a cloud-based meeting service," Knight says. "Going forward, I anticipate cloud-based solutions will continue gaining in popularity due to their 'connect from anywhere, anytime' environment, and we will see an [increase] in virtual companies, employees working from home and staff working four-day workweeks to save on fuel costs."

**Alternative energy businesses.** Deep Patel, founder and CEO of online alternative/green energy company GoGreenSolar.com, says rising fuel costs have helped his business flourish. "When Americans feel the pinch at the gas station, GoGreenSolar.com's call volume and sales instantly surge," he says. "More consumers are looking toward electric cars to get around town, so more are interested in our electric vehicle chargers. High gas prices are also great for our business, because they make the payback on green energy products much more competitive than when traditional energy prices are low."

For the full article featuring Sageworks' insight, visit AOL Small Business- [High Gas Prices: Who are the Biggest Winners and Losers?](#)