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Small Business Bulletin

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Small Businesses Facing Cost Pressures and Uncertainty

Small businesses are often considered the backbone of local economies and innovation, but in recent years, they've been navigating an increasingly complex financial terrain. Rising costs, economic uncertainty and shifting consumer behaviors have created a challenging environment for entrepreneurs and small business owners. Understanding the root causes of these pressures and how to respond effectively can help small businesses stay resilient and competitive.

According to the U.S. Chamber of Commerce, 70% of small businesses report that rising prices have significantly impacted operations.

Causes of Cost Pressures and Uncertainty

The following factors are contributing to the financial strain on small businesses:

- **Inflation and rising operational costs**—From rent and utilities to raw materials and shipping, the cost of doing business has increased significantly. Inflation affects not only expenses but also consumer purchasing power, which can lead to reduced sales.
- **Labor market challenges**—Wage expectations have risen, and many small businesses struggle to compete with larger companies offering more appealing benefits and flexible work arrangements.
- **Supply chain disruptions**—Global and regional supply chain issues continue to impact inventory availability and pricing. Delays and unpredictability can hurt customer satisfaction and increase overhead costs.
- **Economic uncertainty**—Tariffs, fluctuating interest rates, geopolitical tensions and market volatility contribute to a general sense of unpredictability, making long-term planning more difficult.

Tips for Navigating Cost Pressures and Uncertainty

Despite these challenges, small businesses can implement several strategies to help manage cost pressures and uncertainty:

- **Streamline operations.** Conduct regular audits to identify inefficiencies and reduce waste. Automating routine tasks and outsourcing noncore functions can help save time and money.
- **Leverage technology.** Digital tools for accounting, inventory management, marketing and customer service can improve productivity and reduce overhead. Cloud-based platforms often offer scalable solutions tailored to small business needs.
- **Review expenses.** Monitoring costs can be an effective way to reduce and even eliminate extra expenses. Employers should consider negotiating with suppliers and vendors to potentially defer payments, reduce fees, improve rates and receive additional services to help during difficult times.
- **Stay informed and adaptable.** Economic conditions can change quickly. Staying informed about industry trends, policy changes and market shifts allows businesses to pivot when necessary and seize emerging opportunities.

Conclusion

While small businesses face a complex and evolving set of financial challenges, they also possess the agility and resourcefulness to adapt and thrive.

Open Enrollment Tips for Small Businesses

Small businesses vary widely in employee benefits offerings. Many, particularly those with fewer than 50 employees, are not required to provide health insurance or other benefits; for some, it may not be financially feasible. However, for those that do offer coverage, open enrollment season is a valuable opportunity to help employees understand their options and make informed choices.

Tips for Navigating Open Enrollment

The following are practical tips to effectively navigate open enrollment as a small business:

- **Start early.** Early preparation can give business owners time to review current benefit offerings, explore new plan options, communicate changes to employees, and work out any administrative or compliance issues in advance. It can also give employees time to ask questions and make thoughtful decisions, reducing last-minute confusion and rushed choices. By getting a head start, small businesses can encourage a smoother, more organized enrollment process that supports both the company's goals and employee well-being.
- **Communicate clearly.** Clear communication is essential during open enrollment, especially for small businesses where resources and HR support may be limited. Employees need to understand what benefits are available, how to enroll and what changes, if any, are happening to their plans. Small businesses should consider using multiple methods, such as emails, printed materials and team meetings to explain benefits in simple, jargon-free language.
- **Leverage technology.** Digital tools and platforms can help save time and reduce errors.

Online enrollment systems allow employees to review options, compare plans and make choices at their own pace, often with built-in support features like live chat or help guides. For employers, technology can simplify tracking participation, generating reports and ensuring compliance. Even simple tools like shared calendars, email automation or benefits dashboards can make communication more efficient and the overall experience more user-friendly for everyone involved.

- **Focus on deadlines.** Creating a sense of urgency during open enrollment is important for small businesses, but it should be done thoughtfully to avoid causing unnecessary stress. Employees need to understand that open enrollment is a limited-time opportunity to make crucial decisions about their benefits, and missing deadlines could mean waiting another year to make changes. To communicate urgency effectively, businesses should clearly outline key dates and deadlines early and often while maintaining a calm and supportive tone. Reinforcing the importance of timely action without panic helps employees stay engaged and proactive, leading to a smoother and more successful enrollment process.

Conclusion

Educating and informing employees about their benefits options is an important part of open enrollment. Effective employee communication is an ongoing process, but it comes down to helping employees feel well-informed about their benefits options and confident about their choices.

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