

# The Great Western News

March 2008

## The Business Of Business

Our economy is a very dynamic entity with a multitude of factors that impact prices. To begin, we need to understand Great Western's function. Great Western Supply is a distributor. Our mission is to bring you quality products from quality manufacturers when you need them. We choose to partner with manufacturers that have the same mindset. Their goal is to manufacture quality products and supply them to us in a timely manner so we can deliver them to you when you need them.

The only time we raise prices is when our manufacturing partners raise them to us. I spoke to our major suppliers about the recent rounds of increases to understand why prices have been going up. Their words may have been a bit different, but their meaning was virtually the same. They raise prices when economic pressures upon their companies dictate that they must go up. What do they mean by that? When their fixed and/or variable costs go up, they have a decision to make. Can they absorb these real cost increases and still make the same quality products and deliver these products in the same timely manner or do they have to pass these cost increases on to be able to continue to offer the same quality products and service? Over the years we have seen some manufacturers quality and service decline. Most of the time, these decreases in product quality and/or service are not acceptable. So, when hit by real cost increases, most of the time, manufacturers must raise their prices to be able to operate at the same level and offer the quality products and service that you and Great Western expect. Without exception, our manufacturing partners talked about the efforts they all make to take unnecessary costs out of their companies. They work very hard at bringing real value as well as quality to the marketplace.

To mention just one item, out of many, that impacts our manufacturing partners, Great Western, and you, consider the price of oil. In 2006, the highest price for a barrel of oil was almost \$70.00 a barrel. Today, the price for that same barrel of oil is over \$100.00 a barrel. This more than 30% increase impacts so many different components of our manufacturers cost structure that something has had to give. Prices have been raised to allow quality and service to stay at the same level. While none of us like to increase prices, sometimes it is necessary to maintain quality and service. Be assured that we at Great Western continue to work with our suppliers to keep increases as infrequent and as reasonable as possible. You are a valued customer, and we continue to work hard to bring you quality products and service at competitive prices.

Please note that our offices will close at noon on Friday, March 21 in observance of Good Friday. We will reopen at 7:30am on Monday, March 24.



Ask Mr. Janitor:  
What is with the price increases we are seeing on just about everything? Can you shed some light on what is happening in our economy to cause these?



Mr. Janitor answers:  
You don't need to argue the relative merits of the economic theories of David Ricardo versus John Keynes using complex calculus equations with multiple derivatives to understand what is happening! Let's take a look at it.