

Ten Ways To Cut It The Cost of Doing Business Really Can Go Down

It's easy to be negative about cost-cutting. "Everything just costs more," a business owner will say; the subtext being, "What's the use?" Don't give up. There are ways to cut costs. The first step is to identify where the money goes . . . and why. Then look at creative ways to shave off the non-essential while keeping the shape of your business intact.

1. Look Beyond In-House

Outsourcing is the latest word in cost-cutting, and it can mean more than one thing. First--outsourcing labor. Temporary employees or contract workers are the answer for jobs that aren't included in the daily running of a business. Temps make sense for holiday rush periods or for short-term assignments or campaigns. Outsourcing certain operations, such as photocopying, mailing, and telephone answering, is an increasingly popular way to cut down on carrying these costs in-house. Another, less typical, kind of outsourcing is "hiring" temporary space. If your business needs a conference room only occasionally or only a small portion of a warehouse, consider subletting the space from another business and cut the square footage of your own operation.

2. Don't Assume Outsourcing Is Always Cheaper

It pays to keep some operations in-house. For instance, if your receptionist can do some on-line bookkeeping while waiting for the phone to ring, or if your warehouse worker can stuff envelopes for a mailing in between delivery deadlines, you should consider these as in-house candidates. In addition, there are some jobs that should stay in-house even if outsourcing may appear to be a bargain--those that involve issues of confidentiality or accounting operations that might help owners and managers to better understand the business.

3. Take Advantage of the "Free Lunch"

It may be food for thought instead of steak, but there are many free offers of benefit to business owners. Continuing education lectures, SBA seminars, informational evenings offered by local banks and corporations are often free or inexpensive ways to hone business acumen. Try these before going the more expensive route via consultants.

4. Go Electronic . . .

If you haven't yet substituted a voice mail system for a receptionist, you are paying an unnecessary yearly salary. Using e-mail can replace the need for most correspondence--saving the cost of a secretarial salary, or at least full-time. Computer programs for bookkeeping and for riding herd on inventory and payroll can also reduce employee numbers or hours. Selling on-line is cheaper than traditional advertising, and the individual targeting may pay off in more "hits," further reducing the cost of doing this particular type of business.

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5. . . . But Don't Get Shocked

The cost of sending faxes, using cellular phones, and certain on-line services can get lost in the glow of their convenience. Monitor the use of all such devices. If charges seem unreasonable due to the service provider's fees instead of employee usage, negotiate with the carrier or provider. When threatened with a loss of business, they will often lower fees or at least negotiate payment schedules. Another electronic cost-saver: run certain equipment during off-peak electricity hours and save up to 30 percent annually in electric bills.

6. Shop Around

Don't be a slave to recommendations. If your computer consultant has a "pet" equipment source, or your graphic designer has a favored printer, make a few calls to see how the prices stack up. You could end up with big savings for very little effort. The same holds for seeking financing. You should always talk to at least two banks, looking for the best loan terms and interest rates.

7. Offer Discounts; Take Discounts

By offering customers early-payment discounts, you can "borrow" their money instead of the bank's. Compare the advantage of doing this against borrowing from a lending institution and see which works best for you. You can also be on the other end of discounting by checking out what may be available. It sometimes helps to join a professional organization, in order to get the best discounted rates on anything from advertising to shipping services.

8. Purchase from the Source

If you deal in a product, go to the source whenever you can. For example, the owner of a children's clothing business specializing in sweaters goes directly to the spinning mill for her yarns. Not only can she specify the exact colors she wants, but she can shop for bargains and negotiate the best prices without any costs added by the knitting factory.

9. Curry Favor

Try to cultivate business favor by patronizing one operation per service. Be loyal to one printer, photographer, designer, or copy service, and they may repay you with reduced fees and/or discounts.

10. Understand that Deductibles Still "Cost"

A deductible expense is still a cost. The only "free" part is whatever your specific tax rate will allow you to deduct, which could be as low as 25 percent, perhaps even less. When tempted to splurge on a deductible expense, always look at your profits and see how much you'd have to earn in order to justify it.