

8 savvy ways to cut costs in a small business

At a time when many small businesses are struggling to stay afloat, cutting costs can boost their chances of keeping their doors open.



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1. Work smarter to lower overheads

Many small business owners are so focused on keeping their head above water and making sales that the practice of lowering overhead costs often gets pushed to the bottom of the to-do list. Yet, reducing overheads and cutting business expenses is crucially important when trying to achieve profitability.

While every business is different, it should become key practice for the decision makers to regularly look at ways to reduce overhead costs and find innovative cost-saving solutions tailored to suit the unique nature of the business.

2. Reduce supply expenses

Business supplies are often at the top of monthly expenditure, so make it a regular practise to re-evaluate who you buy from. At least once a year, compare suppliers and get quotes in to make sure that you're getting the best prices and terms. Shop around outside of your pool of usual suppliers, and proactively be on the hunt for money-saving bargains. Also, investigate, how high up on the supply chain you can go to purchase your supplies - buying paper from a supermarket for

example, can be costly.

Find out who sells them the product, or even who makes it, and buy from them directly. If you are a long-time customer of a particular vendor, explain your budget constraints and renegotiate a price to suit your budget. Learn the art of negotiation, and use it often. This may all take time, but the savings can be enormous.

3. Explore co-working spaces

One of the biggest expenses a business incurs monthly is the unavoidable cost of buying or renting a workspace. In a small business, there are a few options to keep overheads low. For budding start-ups, a home-based business, with employees who also work from home, makes economic sense. As your business and its needs grow and become more formalised, a transition to a serviced office space can help slash exorbitant administrative costs.

The business owner is only expected to pay for office space, yet gets valuable add-ons like high-speed fibre internet, utilities, printing, video conferencing services, slick boardrooms and IT technician services included as part of the overall contract at no further charge.

4. Partner with other businesses

The adage of there being strength in numbers holds true for small business owners, too. Reduce costs by pooling resources with like-minded businesses in your trade area. Common areas of interest could include banding together in order to have better purchasing clout and negotiating power when buying supplies, inventory and equipment. You could also form a trade relationship with a company, growing your businesses by cross-referring clients, or saving costs by providing each other with needed products or services.

5. Reconsider traditional services

Getting stuck with a contract for cleaning and maintenance can land you with an expensive bill. Consider hiring a cleaner or handyman that comes in less often, or as and when you need it. SweepSouth is an on-demand service which allows you to hire pre-vetted, trustworthy cleaners, gardeners and handymen when you need them - a convenient alternative to being tied into costly cleaning contracts. Their Connect app has a handy list of other services you might need for your business, such as web developers, tax and accountancy services, graphic designers and social media and video marketing facilities.

6. Retain good staff

It makes sound business sense to do all you can to retain talented employees. It costs more than you think to rehire, especially if the position requires specialised knowledge. US research shows that companies typically pay about one-fifth of an employee's salary to replace that employee, including recruitment, onboarding and training costs.

Hiring the right people takes skills - especially important for small businesses where there are only a few people on board and every hire is crucial. It's also time-consuming, which can be particularly frustrating for business owners who need to be in the marketplace making deals versus spending time on non-income generating tasks like rehiring.

7. Switch off lights, machines and computers after hours

These simple actions could produce significant savings over time. To help keep energy costs under control, make it a company policy to switch off air-conditioners, non-essentials lights, gadgets and equipment before staff head off home each day. Putting computer monitors into sleep mode will also cut down on unnecessary energy consumption and save money. A good guideline is to turn off your PC's monitor if you aren't going to use it for more than 20 minutes and switch off the monitor and CPU if you aren't going to use it for more than two hours.

8. Cut down on meetings

The next time you're in a meeting, stop and think about the hourly salary rate you're paying everyone in the room, and how much money that meeting is costing! Ask employees to review how many hours a week they spend in meetings, and suggest ways to cut these down so that staff can be freed up to actually get work done.

Try these guidelines:

- Carefully consider whether you need to go to every meeting you're invited to. Some companies cap meetings to five people, to limit attendance to only those that really need to be there.
- If you're setting the meeting up, limit its length to a half hour, unless a longer time is truly required.
- State a clear-cut goal for the meeting, and send a written agenda - it's one of the most useful tools in helping attendees stick to the objectives of the meeting and not drift off into other areas of conversation.
- Send as much information ahead of the meeting, and ask attendees to review these beforehand.

When in doubt, go without

If you're struggling to allay costs, make it a practise to constantly ask: Do we really need to buy this? Do we really need to replace something? Think every purchase through instead of just spending the money on buying bigger and newer things. Even when times aren't tough, it's prudent to use what you already have until you are certain you need something new.

By keeping a close eye on the budget and constantly working towards curbing unnecessary spend, you'll save your business from potentially running into cash-flow problems, and then having to implement unpleasant and radical changes.

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