

## 25 new ways to cut costs

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With the new financial year upon us, there is no

**better time to have a look at your cost base and try to put a bit more bounce in your bottom line.**

To try and find some of the less obvious cost-cutting measures, SmartCompany talked to a range of cost-cutting experts, entrepreneurs and business consultants.

Here are their suggestions - get cutting!

### **1 - Check your purchasing processes**

Debbie Mills, managing director of Cost Reduction Analysts, says her team concentrates on cutting costs - by negotiating the best possible agreements with suppliers and by examining the purchasing processes a company uses. "The hidden things are usually in the process side of things."

Take the stationary cupboard. Yes, you've got a great deal with a stationary supplier. But how are those goods ordered? Is one person in charge of the stationary cupboard, and in charge of approving every order? Or can any member of staff just log onto an online account and place an order, or go down to the shop and buy something on the account?

If the answer is the latter, you may have a problem - the staff might be getting whatever they want, whenever they want. Change your process and put one person in charge and the savings will flow.

### **2 - Check whether your suppliers have grown with you**

Most SMEs have some great suppliers who have really helped them grow their business. But just because your supplier has been around for a long time doesn't mean you are still getting a great deal. Michael Nicholas, director of cost cutting consultancy Expense Reduction Analysts, uses the example of a delivery or courier company. "Initially you may have engaged them to do pick-ups 9am to 4pm, but now you are doing pick-ups after hours at a much higher rate. That's a deal you need to look at again, as your needs as a client change."

### **3 - Cut your Yellow Pages and directory advertising**

SmartCompany blogger and E-Team founder Craig Reardon argues that most of your prospective customers are turning away from traditional places such as the Yellow Pages and towards the web, simply because of the depth of information it can provide.

"Try gradually moving your directory expenditure into your website and online eMarketing techniques like pay-per-click and email marketing and see what results you get. It's likely to

be very positive, particularly if your business is B2B."

#### **4 - Buy a more expensive car (no, seriously)**

Sometimes you've got to spend money to save money. Take the area of vehicles. Debbie Mills of Cost Reduction Analysts says spending a little bit extra to buy a fuel efficient car (such as a diesel or LPG-powered vehicle, or even a hybrid) is an investment worth making.

"You get better resale value at the end of the car's life and you get much better running costs through the life of the vehicle."

#### **5 - Sack your spouse**

Jason Gehrke, SmartCompany blogger and director of the consultancy Franchise Advisory Centre, says he has seen many businesses where an accountant has advised an entrepreneur to pay their spouse, partner or significant other through the business for tax reasons. "They are on the books drawing a huge wage, but they are not actually working in or adding any value to the business". Gehrke says business owners should do what they would do for any underperforming employee and sack them. "Get your business profitable again and considering rehiring him/her. If they love you, they'll understand you have to be cruel to be kind."

#### **6 - Get close to your suppliers**

Everyone loves getting mates rates and while you can't expect suppliers just to give you a discount because you are nice to deal with, there are still some very good reasons to building strong relationships. Michael Nicholas recommends asking suppliers for suggestions on ways to help each other out. For example, could ordering weekly instead of daily allow them to reduce their own administration costs and enable them to pass the savings on?

#### **7 - Call in a negotiator**

However, Michael Nicholas says companies should never allow the person in daily contact with a supplier to negotiate price. "Use the good cop/bad cop approach, calling in someone else, so that emotion is not involved in the process." This also allows the day-to-day relationship to remain unaffected.

#### **8 - Sell that office junk**

Naomi Simson, SmartCompany blogger and founder of Red Balloon, says it's a great idea to sell the stuff you don't need around the office - such as old computer screens, computers or other equipment - on online auctions sites like eBay. That way you get it out of the storeroom and you might even make enough money to fund the Christmas party.

#### **9 - Think you've got a good phone deal? Check again**

Debbie Mills of Cost Reduction Analysts, says companies often think they've secured a great phone deal - you know, the one with the capped plans for the sales team, the free data for the IT guys and 10 free handsets for the executive team.

But Mills says telecommunications remain a primary source of cost savings when she looks at a company's cost base. "The problem is these deals are very hard to analyse. Companies,

just as we do personally, find it difficult to evaluate all those different offers and work out what's best for them."

It is crucial to understand exactly what you are getting from your contract and to check each month whether you are getting what you paid for.

Particularly look for odd looking lines in the middle of an invoice - a stray service charge or internet data fee. "Telstra are notorious for chucking in a random line," she says.

#### **10 - Move that phone online**

You've probably heard about telephone-over-the-internet technologies such as VOIP, but now is the time to do something about it. SmartCompany blogger and Mocks founder Lara Solomon says she cut her phone bill in half two years ago when she moved to VOIP. She also advises encouraging remote workers and office staff to talk to each other via free VOIP services such as Skype - in fact, you can even use Skype for calls to overseas office.

#### **11 - Go corporate**

Lots of different businesses offer discount 'corporate' rates for frequent customers - hotels, car rental agencies and other travel-type companies are good examples. Michael Nicholas from Expense Reduction Analysts says it's a good idea to see if you can do a deal. For example, add up the amount of nights you and your staff spend in hotels over a year, call up a big chain and ask for a corporate rate. "You'll be surprised at the sort of rate you can negotiate."

#### **12 - Watch out for added extras**

One of the best employee rorts Debbie Mills has heard of concerns a group of managers who had fuel cards for their company cards. But instead of just buying petrol, the managers were using their fuel cards in the service station's convenience store to get their weekly shopping done. By the end of the year, each manager had racked up a fuel card bill of \$20,000. Mills says it's a good lesson for employers: check bills and expense claims thoroughly. "A lot of times these companies just pay the bill as long as it looks the same as the month before," she says.

#### **13 - Ditch the Beamer**

A nice car can be an important reward for an entrepreneur. But do you really need it? "Who are you trying to impress anyway?" Jason Gehrke asks. "Get a cheap car and get rid of the lease."

#### **14 - Cut the car parks**

Here's one that might not go down so well with your team. Michael Nicholas says it's not a good idea to allocate a specific car park to a specific staff member. Instead, he recommends having 7% fewer car parks than the number of staff entitled to them. "On any day, you'll find that there will be a certain number of absentees - you don't need to pay for empty spaces."

#### **15 - Get the purchasing and finance departments talking**

Many SMEs will have one group in charge of purchasing and procurement and another group in charge of doing the books, but Debbie Mills is constantly surprised at how little these groups actually talk, particularly about the contents of specific contracts. It's hard for the finance department to know whether a contract is value for money if they've never seen it. "The people who sign the contract shouldn't hold it close to their chest," Mills says. "Share the information and you'll get much better results."

#### **16 - Expiry can be expensive**

Michael Nicholas says it's a good idea to record and remember the expiry date on term contracts for services such as electricity, gas, and phone, as suppliers often revert to a much higher penalty rate once the contract expires.

#### **17 - Think before you print**

A number of entrepreneurs - including Lara Solomon, Naomi Simson and Kirsty Dunphy - suggested cracking down on printing costs. Simson likes the idea of a "no print" day to ram home the message, while Solomon suggests working out what it costs to print every page and letting your staff know. SmartCompany blogger Eve Ash suggests collecting recycled paper and making little notepads. "People just seem to make more use of this paper when it resembles a pad," she says. Sending and storing documents electronically also cuts down on printing costs.

#### **18 - Review your advisors**

Jason Gehrke says regular reviews of advisers such as lawyers, consultants and especially your accountant are crucial. And don't just think about their fees. "If you're getting bad advice, how much is it costing you?"

#### **19 - Install a Content Management System for your website**

How complicated and expensive is it when you want to change content on your website? If you find yourself paying a web developer every time, then get control. Craig Reardon argues that content management systems should be standard now with a new website and are very affordable for SMEs - even free, if you use an open source CMS. With a bit of basic training, you'll be on your way.

#### **20 - Close unprofitable divisions**

David Markus, founder of IT consulting group Combo, says he's facing this issue now: is it time to start cutting back parts of the business that do not contribute to profit?

"The world has become more competitive so clients are no longer saying 'hey, while you are here doing that job, can you fix that for me too?' Each quote is being weighed and considered for capability and cost effectiveness and so too must our services." In tough times, companies just cannot afford to carry struggling businesses or products.

#### **21 - Don't get sucked into bulk orders for the sake of it**

There are often good discounts to be had by ordering in larger quantities, but Michael Nicholas says it's crucial not to get caught out. He says companies often over-order to get the price down and then don't use the stock. "If you only need 7000 brochures, it's still cheaper to order that number at \$3.30 per unit than it is to pay for 10,000 at \$2.80."

## **22 - Work from home**

Craig Reardon argues that the days of clients or customers turning their noses up at home-based business operators are long gone - particularly when clients realise you can pass on the savings of renting premises. It's a particularly attractive option for web-based businesses. "Your website can then become your virtual shop front for a fraction of the price of renting business premises."

## **23 - Get your hands out of the lolly jar**

It's another common trap Jason Gehrke sees entrepreneurs fall into - raiding the business bank account to pay for private expenses. "Stop doing this and suddenly your P&L will look a whole lot better - and your bank manager might consider lending to you again," he says.

## **24 - Switch off**

Another example of spending money to save money. Michael Nicholas says it's a good idea to consider the installation of lighting control systems, such as occupancy detectors to photoelectric sensors for measuring natural light. These devices can save around 20% in energy costs.

## **25 - Give your staff a reason to cut costs**

Marcia Griffin, SmartCompany blogger and co-founder of cosmetics company Griffin + Row, says it's a great idea to incentivise staff to come up with ways to cut costs. "Why not offer a dinner for the person who finds the most sustainable ongoing cost cuts? This could be a monthly prize, with an annual award for the best idea of the year."

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