

Twenty Ways to Cut Wasteful Spending, Now!

By Jim DeLapa, President, Allied Focus LLC.

In good times, you might be concerned that calling a vendor to reduce a relatively small fee would send the wrong message. The recession gives us all cover to do what we should be doing anyway. Get in the habit of saying without hesitation, “We’re taking a top to bottom look at ways to control expenses during the recession and I need you to participate.” Don’t ignore the small charges. Collectively, these ideas can provide even a small business with thousands of dollars in annual savings.

Employees will appreciate that you are taking every step to control costs because they know that ultimately if the money isn’t there, their job is at risk. If layoffs are inevitable, employees are much less likely to take it personally when they can see how hard the business owner has tried to reduce other expenses first. It does make a difference!

Facilities

The Rent. Talk to your landlord even if it’s not time to renew. Concessions on rent can be hard to obtain –but not impossible in this market. The *extras* are easier to negotiate: parking, maintenance, common area expenses, or “CAM”. Start with these. Do you have too much space? Consider taking on a sub-tenant, asking the landlord to divide the space, or even switching spaces with another tenant.

Electric Bill. Is anybody really monitoring the company’s use of power? Is the heat or AC off at night and on weekends? Are monitors and computers turned off? Appoint a junior level person to take responsibility for cutting the electric bill by 15%.

Cleaning Service. If you’re using 5-day per week cleaning service, consider going to 3 or even 2.

Storage Space. Many companies rent storage space they could find a way to do without. What are you storing? Can you throw it away, give it away, or find another place for it?

Equipment Leases, Subscriptions and Service Contracts

Rented Equipment and Service Contracts. Rented copiers and postage machines are an annuity for your vendor. The service contracts on these and other equipment add more expense. Take an inventory of rented equipment and service contracts and see what you could do without.

Rented plants. Yes, they look nice, but could they be reduced or eliminated for now?

Subscriptions. Excess subscriptions to publications that rarely get read can be eliminated painlessly. See two copies of a publication sitting on the same break room table every month? Why pay for two?

Employee Related Costs

Company Benefits. Generous benefits are perfect for great times. In tough times, consider requiring employees to contribute more to benefits, or eliminating those in excess. We're not advocating cutting out healthcare, but asking employees to increase their contribution can be prudent.

Expense Reports. The business owner should review the expense reports of all employees, line by line. If you haven't already been doing this, you'll likely be shocked at what your good, honest, hard working employees consider to be a legitimate business expense.

Voluntary Pay Cuts. You might be surprised to learn how many of your people would sign up for a voluntary pay reduction if they understood the impact to the company. Of course, the business owner needs to lead the way and let others know they have done so.

Travel

Excessive Travel. It's true that nothing is as impactful as a face-to-face sales call. Yet, increasing phone time while reducing (but not eliminating) travel to customer sites provides significant cost savings. Have a policy of "essential travel" and don't eliminate travel that generates sales. Make every "must do" travel event pay double-by visiting more than one client, or otherwise combining trips. Contact a budget-friendly hotel company and ask about their corporate rates for small businesses.

Trade shows. The value of attending or exhibiting at trade shows has significantly decreased since the days of complete ubiquity of the internet. Yet, the costs are staggering. Consider which ones you really need to attend, who really needs to attend, how many days they will attend and how their time will be spent.

Airport Parking. When two or more people travel, be sure you're only paying one airport parking fee by requiring employees to carpool to the airport. Also require employees to park at nearby private lots that are less costly than parking at the airport.

Operating Costs

Shipping Charges. How much are you spending on overnight delivery? Just cutting the service level by one grade can make a significant cost difference. Want to save more? The US Postal Service delivers throughout the US generally in 2-3 days, and will even provide you with free packaging materials in

some cases. Customer shipments are a different story and should be based on the customer's willingness to pay for faster delivery.

Communications. How much are you paying for phone service, web hosting and mobile phones? Most of your vendors have probably already reduced the costs for their new customers. They are just waiting for you to ask before they lower yours. Also consider reducing the number of lines and changing your company policy to provide cell phones only to those who absolutely need them.

Insurance and Finance

Credit Cards. Review the credit card statements of all cards paid for by the company. Put a stop to any unnecessary 'habits' of your employees. Specifically look for those recurring items that you forgot you were paying. If you haven't been doing this regularly, you'll likely wish you had been. While you're looking, check that interest rate on unpaid balances. This is likely your highest cost of funds! Use a line of credit through your bank and pay off the credit card every month.

Bank Fees. Call your banker and review the service fees on all of your accounts. You might be surprised to learn how many of those fees can be reduced or eliminated. Ask the question, "How can we reduce or eliminate these fees?"

Insurance. Are you over insured? Talk with your insurance agent today and be sure that you have the right coverage for your business as it is today.

Miscellaneous

Bills. Pay your bills on time, but never early. Check the due date of every invoice. Make sure it is in keeping with the terms you established with the vendor. The exception: Check for any discounts for early payment—these can add up. Unless you're getting a discount for paying early, never pay before the due date.

Buy Cheap. Whatever you're buying, you can find it for less in today's market. If you happen to be buying office equipment or office furniture, there are scores of sellers just waiting for your call.

About Allied Focus

Allied Focus is a boutique business consulting firm located in San Diego, California, lead by Jim DeLapa. Jim works exclusively with business owners and CEOs. Mr. DeLapa is a recognized business leader whose career spans more than 20 years of entrepreneurship and includes founding companies, investing in start-ups, raising both angel and venture capital rounds, board leadership, hands-on management and successfully negotiating the sale of companies to both public and private firms. He has run 2-person organizations and companies with more than 40 employees. Jim has dealt first hand with every facet and challenge that goes with this territory.

When you work with Allied Focus, you get the full experience of a seasoned, successful business leader for a fraction of the cost. For more information visit our website, www.alliedfocus.com, email us at info@alliedfocus.com, or call Jim DeLapa directly at 858 429 5755 x201.