

10 Cost Saving Ideas for Small Businesses



Statistically, small business owners are already at a disadvantage. According to industry studies, only 50% of small businesses remain operational after 5 years. If you factor in the 2008 recession, the number may have to be adjusted downward. A [recent study by Bank of America](#) showed that 64% of small businesses are still trying to recover seven years after the recession. Thus, the challenge for small business owners to profit just to sustain operations is greater.

Here are 10 ideas small businesses should consider that lower costs without affecting productivity:

1) Outsource services. Is it coincidental that global outsourcing has not had a decline in revenues and market value since the new millennium; when events shook and transformed the global business landscape? No.

Outsourcing services has come to the forefront of business agenda for one reason: It works. By taking advantage of economies of scale and comparative costs through third party arrangements, businesses can lower cost of business by an average of 40% without affecting productivity. In fact, outsourcing services also takes advantage of talent that is affordable and thereby improves productivity.

2) Go paperless. How much does your business allocate from gross income to cover office supplies or contingencies? 5%? 10%? Most businesses are oblivious to it but unmitigated use of paper can accumulate and cost your business more money than you previously thought of. Excessive use of paper is unsustainable and leads to more inefficiency.

When transmitting communication with your people use e-mail as the primary medium. Electronic mail is considered a legal document and you can even affix your signature on them. There are also default templates for standard business documents, contracts and invoices which you can find online.

3) Use technology. Another culprit in the monthly budget is unmitigated expenses in telecommunications. Call charges to landlines and mobile phones can accumulate and eat up a larger portion than you initially allocated for.

Take advantage of technology and communicate through any of the available platforms online. Skype is a very popular platform which allows you to make audio-video and conference calls to other Skype users. If you want to make calls to a landline, Skype charges are competitive and you can set limits by opening a credit line.

Mobile to mobile calls can be done for free simply by registering your employees with Viber. If you have a sales team, you can designate VOIP units to them and make arrangements for specially discounted unlimited calling plans with your carrier.

4) Focus on online marketing. Not only does online marketing strategies cost less money but these give you access to a global market of billions. Even if your business is regional, online marketing will still give you more advantages cost-wise and in terms of scale.

The first step of course is to build a website. Then you need to open social media accounts to create the traffic you will be tasked to drive into your website. The challenge online marketing presents to small business owners is that it requires time and expertise.

The solution is to adapt Cost Saving Idea #1: Outsource Services. Hire a Virtual Assistant with the experience and expertise to design and implement online marketing strategies.

5) Switch to mobile devices. The days of the desktop computer are numbered not only because 60% of Internet users prefer mobile devices but because PC's consume 90% more power.

If you have a sales team, it would be more cost-efficient and effective to communicate with them via smart phones or tablets which virtually perform like PC's.

6) Cut down rent. If there was a singular expense that drains businesses, it would be rent. If your rental expense is close to 20% of your gross income, you should look for ways to circumvent rent.

The best option would be to work from home. You will save more even if you calculate a rental component based on the size of your work area in the house in your income statement. Another option would be to sublet your current office space to another business.

7) Lease equipment. There are companies that offer leasing services for computers and other office equipment. This is particularly valuable for technology because it saves you the need to have to upgrade them every few years. Computers for example, have to be continually updated and upgraded at least every two (2) years. These assets are fully depreciated in a year's time. Leasing is also convenient because you don't have to spend for its maintenance; conditions apply however, and it can be replaced by another unit if it breaks down

8) Request an advance. Most business owners hesitate to request for an advance payment or deposit from the client. You should view a business arrangement like a strategic partnership where there are shared interests. As the service provider, you are tasked and obligated to render services or deliver products that are in good condition. As the client, he or she is obligated to pay you for your products and services. Especially when you render a service, costs have to be covered even before you commence operations. Most clients understand

that and are more than willing to oblige. Receiving an advanced payment or deposit will improve your cash flow.

9) Request for volume discounts. If you are a retailer, you can request for volume discounts from your supplier and receive a good-sized discount. Just be careful not to overstock on inventory. The same goes for subscribers of certain services. There are phone service carriers that offer significant discounts on calling rates depending on the guaranteed volume of calls made per month.

10) Consider bundled services. There are service providers and carriers that offer business packages with Internet connection, PC, fax machine, cable TV and landline at a highly discounted bundled price. You could avail of these, save good money every month and not have to worry about maintaining equipment and depreciating assets.

Despite the need to streamline operations, small business owners have to remain focused on the primary task at hand: Generate Revenue. You should only cut costs to a point where it will not compromise the quality of goods and services. Small business owners must be cautious in identifying which cost items to reduce and be purposeful in developing strategies that improve efficiency.