



## TOP TEN IDEAS FOR SAVING IN HARD TIMES

Business owners share their cost cutting plans.

*By Greg Fisher*

In the current economic climate all business owners are looking for ways to save money. With significant declines in revenues during the past six to twelve months and the anticipation of harder times ahead due to negative sentiment, most business owners are considering ways to save money by innovatively restructuring their income statements. I recently sent an email to more than 100 business owners enquiring about their plans to save money in these times. Their responses were collected and condensed into a list of ten money saving ideas:

### 1. Share capacity

All businesses build up capacity to operate. Manufacturing businesses establish capacity to create products, retail businesses build capacity to sell, services businesses create capacity to deliver a service. In a downturn, a business may no longer require all the capacity that it built up in more promising economic times. Because many businesses have spare capacity in a downturn it can make sense for two or more businesses to share resources.

Consider how your operations could be restructured to share capacity with another business so that both businesses get a significant reduction in a major cost item.

### 2. Trade exchanges

Enter into an arrangement with a supplier to provide them with a product or service from your business in exchange for the product or service you need from them. During tough times trade exchanges can assist you to keep your costs down and to make "sales" that may otherwise not have been possible.

### 3. Shop around

In good times we often buy what is readily available or go with what we know. For example, if we need stationery we call the usual supplier and place an order without seriously considering the prices offered. The same can be said for buying computer hardware, software, courier services, travel and accommodation. In tough times it makes sense to invest some time in shopping around when making such purchases. If demand for your product or service has declined, you probably have more time on your hands to consider various options and to ensure you are getting the best deal on what you are buying.

#### **4. Eliminate the luxuries**

During good times, many businesses spend money on luxuries that seem appropriate at the time. In hard times luxuries drain valuable resources from the business without generating significant customer or employee goodwill. One tactic for eliminating costs is to systematically assess a detailed income statement and question whether you need the luxury items. In doing this you may be concerned about how your employees will feel if you cancel all sports club memberships, or put the DSTV service on hold, or stop stocking the refrigerator with cold drinks. If the alternative is having to let people go or close the business, use this argument for discontinuing certain practices and you may even create some additional goodwill if employees feel that the sacrifices will secure their jobs.

#### **5. Leverage technology**

As technology advances, there are increasing opportunities to save money. During good economic times, business owners are often too busy or not sufficiently incentivised to consider the use of new technology for this purpose. In lean times, it is worth thinking about how new technology offerings can save you money. Examples include scanning and emailing documents instead of faxing, using services such as Skype to make telephone calls instead of traditional telephone services. Smaller businesses may even consider transitioning the business onto a reputable free email hosting solution such as gmail, rather than having a managed solution.

#### **6. Change staff arrangements**

For many businesses the biggest expense is associated with people – salaries, office space, medical aid etc. When hard times hit in the United States the immediate response of many businesses was to fire a portion of the workforce. In South Africa it is not so easy and taking such quick and radical action may have negative long-term consequences for the business. Therefore in South Africa it is worth taking a more incremental approach.

Consider how you can restructure staff arrangements within your business to reduce staff expenses without firing people. Examples may include reducing the hours in the working week, empowering people to work from home or eliminating overtime for a period of time. If all this is done on the understanding that the alternative is retrenchment, people should be more willing to embrace new arrangements.

#### **7. Track what you do**

Research has shown that recording and monitoring what people do is likely to change behaviour. If you go on a diet, the mere act of recording what you eat is likely to encourage you to eat less. The same effect has been found to be true in work settings. A number of businesses surveyed attributed significant savings to tracking software on PBAX and colour printers. In good times people may get into the habit of using such items for unnecessary functions. If they are held accountable for their use of company resources it is likely that they will use them more responsibly.

## **8. Cut up expense cards**

A more extreme but potentially effective measure to reduce expenses is to remove or restrict the use of expense cards. This is a tactic that is commonly employed by business turnaround specialists to quickly and easily reduce expenses. Expense cards make it easy for employees to incur business expenses. In hard times it is worth encouraging employees to think twice before charging something to the business.

## **9. Outsource**

As your business requires new services in hard times, it may be worthwhile looking for a service provider in the outsourcing market. A website such as [elance.com](http://elance.com) provides access to thousands of service providers with different skills and pricing structures. This type of service enables you to secure service providers with skills profiles and price points best suited to your requirements. Business owners surveyed reported using [elance.com](http://elance.com) to source people for a range of services.

## **10. Temporarily change your business model**

If the current economic climate has resulted in a significant downturn in demand for your product, it may be worth considering a temporary shift in your business model to bring in cash over the next few months. If you have been in the business of producing and selling products but demand for those products has dropped off, consider looking for consulting projects where you can charge clients by the hour. If you have spare capacity in the business, getting people involved in consulting work can keep them active while also bringing in revenue for the business. To find consulting work contact other businesses with whom you have worked or register with an outsourcing company to bid for consulting projects.

© *Entrepreneur Media SA (Pty) Ltd / Smart Business Solution (Pty) Ltd. All rights reserved.*