

Small Business Professor: Reduce expenses without hurting your business

By Bruce Freeman, Scripps Howard News Service

Monday, December 14, 2009

Dear Professor Bruce: My company has recently experienced a 20 percent drop in revenue, but our expenses have stayed about the same. I want to reduce my expenses without doing anything drastic that will jeopardize my ability to grow quickly (such as reduce staff, cut technology budgets, etc.). What are some things I can do?

Answer: Many businesses experience the same challenge. Andrew Miller, President of ACM Consulting Inc., says that there are four things you can do to reduce your operating expenses without hurting your business:

1. Find new, creative and free ways to market your product or service.

Instead of buying a booth at a conference, speak at the conference. Instead of buying ads in magazines, write an article for the magazine highlighting the value of your product or service. The value you provide to people listening to you speak or reading your writing is more valuable than advertisements. Just remember to focus on the value to the attendee or the reader, not the sales pitch.

2. Focus on value-added activities.

Ensure that you are working only on activities that provide value to the organization. Value can be defined as increasing profit, increasing customer base, improving employee morale and satisfaction and/or improving corporate sustainability. If an activity does none of those things, don't do it.

3. Ask for cost saving initiatives from employees.

Your employees are the ones closest to the operation and may have some of the best ideas. Make a contest out of it, but stress the fact that ideas must be relevant to increasing productivity (having the same output for less) and cannot compromise the direction in which the company is going.

4. Analyze your spending.

Know where your money is going, how much you are spending, with whom you are spending it and what you are buying. Look for opportunities to increase value by putting out certain company needs for competitive bid. Look for opportunities to consolidate activities or products. Be smarter about how you spend your money.

Bruce Freeman, the Small Business Professor, is president of ProLine Communications, a marketing and public relations firm in Livingston, N.J., and author of "Birthing the Elephant" (Ten Speed Press). E-mail questions to Bruce@SmallBusinessProf.com.



© 2010 Scripps Newspaper Group — Online