



Cutting Business Expenses Through Unconventional Methods

In these trying economic times, many companies are looking for ways to reduce expenditures. As more and more businesses are floundering and failing under economic pressure, it is becoming increasingly important to find means of keeping companies not just out of bankruptcy, but financially successful as well.

For struggling businesses, the first instinct can often be to cut payroll and institute layoffs in order to save money. However, this is not always in the business' long-term interests. In fact, cutting staff can frequently contribute to further problems by reducing those resources that are a direct factor in company productivity.

In addition, staff costs are often not even the source of the problem. First and foremost, it is important that management analyze general expenditures. By locating places where the company may be hemorrhaging money and correcting them, the company can save money without making any cuts to areas that contribute to production.

Reduce Wasteful Expenditures

The first priority when assessing a company budget for areas of excess spending is to locate any wasteful or unnecessary expenditure. Stemming the flow of money going to superfluous overhead costs can be the most efficient means of cutting costs. Additional revenue does not go directly to the bottom line; there are always associated costs that take away from profits. Conversely, any money saved from monitoring unnecessary spending is money that goes immediately to the bottom line.

It is wise to think outside of standard expense-reducing measures to see areas that might be in direct need of streamlining. Costs associated with unnecessary expenses typically absorb four percent of total revenue, but can sometimes be as high as ten percent. Reducing such extraneous expenditures takes little-to-no investment and leaves the business with all of the savings.

Management should look at possible causes of budget deficit such as overproduction of goods and transportation costs. It is necessary when analyzing such costs to ensure that every penny that goes into production or associated distribution costs is being used to its fullest potential. If goods are being produced or ordered and then not sold, the company is suffering from the wasteful investment of resources. Similarly, management should ensure that associated systems are being run at their most efficient level.

When evaluating company resources to ensure they are being used to their fullest potential, perhaps the most important area to look at is the workforce. More important than cutting staff pay or introducing layoffs is to make certain that existing staff is being fully utilized. Sometimes it can be helpful to outsource certain jobs, such as IT services, administrative tasks, or certain finance and accounting functions to outside sources so as to free up current staff to focus on more important tasks.

Companies can also reduce expenses by looking at daily costs in the budget. By simply using utilities more conservatively—usually by turning lights off, installing programmable thermostats, or even simply turning off equipment when not in use—businesses can sometimes save thousands of dollars. Also, assessing goods

to ensure they are necessary and being acquired at the best possible prices can streamline purchases of products or services.

Marketing Costs

A key area to look for possible expense cuts is marketing and advertising. Often, marketing funds are one of the most misallocated areas of the company budget; there are almost always areas that can be streamlined to be more cost-efficient.

In particular, marketing expenses can often be reduced significantly by focusing on new media. Online marketing generally costs much less than paper methods, yet is frequently more effective. Many methods of new media advertising cost very little, and certain popular sites such as Facebook, Twitter, and LinkedIn cost no more than the time it takes to establish a presence.

In Summary

Implementation of alternative expense-cutting measures will reduce costs without taking from any areas that contribute positively to company production. The most efficient expense reduction methods include the following:

- Look first at areas where wasteful spending can be reduced, such as unnecessary utility costs, overproduction, and inefficient processes.
- Reduce marketing spending by focusing on new media, which typically costs less and takes less staff time to maintain.
- Instead of cutting payroll or introducing layoffs, reassess the use of staff currently employed. Ensure that the entire workforce is being used to its fullest potential.

It is always more logical to pursue alternative cost-saving measures before considering payroll and staff cuts. These measures will streamline business processes and contribute savings directly to your bottom line. If you feel uncertain about implementing such measures yourself, it is useful to consult with an outside financial services provider that will have the expertise necessary to locate unlikely areas for expense reduction that management alone might not recognize.

Sources and Further Reading

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