



The Practical Guide to Cutting Small Business Costs

Ways to save money without impacting growth



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Ways to save money without impacting growth

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Note: We don't necessarily endorse the companies listed in this ebook, we just thought you'd find the links useful. It goes without saying that plenty of other businesses offer similar services, so always do your homework to make sure you get the right service for you and your company.

Why cut business costs?

Cutting back costs in your small business doesn't have to be a headache. Thanks to innovative thinking, eco-friendly solutions and current technology it can be surprisingly easy.

We'll look at the ways small organizations can save money without compromising growth. Some are five-minute changes, while others may require you to invest a little more time.

Whether you need to slash thousands off your annual outgoings or you're looking for a quick way to save a few dollars each month, there's something here for you.

**Cutting costs
doesn't have to be
a headache
for small
businesses**



How small businesses spend their money

% breakdown

19% General retail

12% Meals and entertainment

11% Auto and fuel

5% Groceries

3% Computers and internet

3% Office supplies

3% Travel and transport

2% Banking

2% Insurance

2% Telecommunications

1% Medical and health

1% Postage and shipping

1% Professional fees

1% Promotion and advertizing

1% Utilites

34% Uncategorized (includes rent, taxes etc.)

10 strategies for cutting costs

#1: Energy efficiency

By being more energy efficient, businesses can cut costs and improve their reputation for environmental responsibility.

Most organizations can make energy savings of 2%-10% just by better management, according to ENERGY STAR.¹ Taking steps to reduce unnecessary waste is something else that can boost a business's bottom line, as well as cut their carbon footprint.

Things to try

- Office equipment costs US businesses \$1.8 billion in electricity costs.² You can save by buying energy efficient equipment, as well as doing simple things like switching equipment off at the end of the day – just enabling the sleep mode on computers can save up to \$20 a year for each machine.³
- Lighting is the largest source of energy use in US commercial buildings, with an estimated cost of \$38 billion a year.⁴ You can save about 75% on the cost of operating lights by replacing incandescent bulbs with ENERGY STAR qualified compact florescent lamps (CFLs).
- Can you turn down the heat or turn up the air conditioning without making the workplace uncomfortable? Lowering your thermostat by just one degree could reduce your energy bill by over \$100⁵.
- Keeping your heating, ventilating and air conditioning (HVAC) system in shape with regular maintenance can save energy and money, as well as make your system last longer.



10 strategies for cutting costs

#2: Remote working



Making best use of the latest technological advances is a great way to cut down on costs.

Using the latest devices can help you work smarter and more efficiently, as well as cutting thousands of dollars off your outgoings.

Things to try

- There's no need to make an upfront investment in servers and hardware if you store information in the cloud rather than using an in-house data center. You only need to pay for the storage space

you're using at any given time, plus you can reduce your energy bills.

- Cutting down on business travel saves valuable time, as well as money. Encourage staff to talk to clients and colleagues at other bases via videoconference, Skype or FaceTime.
- Getting staff to work from home using laptops, smartphones and tablets means you can cut down on energy consumption in the office.

Gadgets such as smartphones and tablets can help you work smarter and more efficiently

10 strategies for cutting costs

#3 Shop around



In our personal lives we are always told to shop around to get the best deal, and the same is true for businesses.

Take the time on a regular basis to see if you can pay less by comparing providers for things like telecoms and insurance.

Things to try

- Mark the end dates of all your contracts on your calendar, with a reminder to compare prices a month before so you don't get locked into a new deal.
- Make sure you are aware of your notice periods. It's normally between 28 and 120 days, but if you miss it then your contract will automatically roll-over.
- Aim to get three quotes when you are looking for new suppliers. You'll have something to compare and may be able to use lower quotes as leverage with an existing supplier.

10 strategies for cutting costs

#4 Cutting your taxes



Taxes are a fact of business life, but while we can't give you any advice that will make them disappear, there are a number of ways you can slash your tax bill significantly.

It's worth seeking advice from a finance professional. There will be upfront costs, but hopefully this will be justified by the help they can give you in reducing your taxes.

Things to try

- Under the [Energy Policy Act](#), businesses can earn a tax deduction for energy efficient buildings.
- Installing a combined heat and power (CHP) system can [earn small businesses tax credits](#).
- You may be able to get [Federal Tax Credit](#) on electric vehicles and plug-in hybrids.
- Check that you are keeping accurate records of

business mileage – and make sure you deduct your vehicle expenses by using the standard mileage rate or the actual expenses for gas, depreciation and other driving costs, for example parking fees and tolls for business trips. Check the IRS website for the latest rates. [See the rate for 2015](#). If you use your home for work purposes you may be able to deduct expenses. [See Top Six tips about the Home Office Deduction](#).

- If you have fewer than 25 employees you may be able to claim the Small Business Health Care Tax Credit to help you provide insurance for your employees. [Find out more with the IRS tax tip](#).

If you are not sure which business expenses are deductible, look at the IRS guide, which covers everything from pay and rent to bad debts and where to get help. Make sure you use the latest version with all the up-to-date rates and allowances. [See the 2014 guide as an example](#).



10 strategies for cutting costs

#5 Be social

Marketing is crucial for small businesses – without promoting what you do, how will you attract new customers and encourage the ones you have to stay with you? However, it can also be a big business expense.

Fortunately, there are a number of tools available that can help businesses engage with existing and potential clients, without costing a fortune.

Things to try

- Communicate with your clients and promote your products and services on social media sites such as Twitter and Facebook. They have millions of users and it's free to sign up. Remember, though, that being successful on social media depends on how willing you are to put time into providing useful, engaging content for your followers.
- Are you an expert in your field? Then get free exposure by sharing your knowledge with potential clients. Try writing blog posts and taking up opportunities for public speaking.
- Send promotions and discount offers by email. You can craft the perfect email marketing template with the help of free email marketing services such as [MailChimp](#). You can also quickly test different offers on a small section of your mailing list to see which works best, then use the most successful one for the remainder.

10 strategies for cutting costs

#6 On the road (or train or plane)

Business is global. You might have suppliers in Europe, customers in Canada, Mexico or China, and staff based in Asia, all of whom you need to keep in regular contact with.

However, if you're jetting from country to country or just state to state, the costs soon mount up.

Things to try

- While most people prefer face-to-face meetings, consider if video or teleconferencing is suitable for this particular occasion.
- To get the best rates on public transport such as trains and planes you'll probably have to book as far in advance as you can. Try to be flexible about what time you're travelling – check if it's cheaper to travel the night before and stay in a hotel and avoid peak times and prices. And don't forget those free airport shuttle buses rather than a taxi.
- Set a company policy for business travel so you'll be able to keep tighter control of spending. State that all trips over a certain cost must be signed off by a manager. Or, by using a specified person or outsourcing to an agency, you might find that their expertise will save you money longer-term.

Travel costs soon add up. Careful planning and being flexible about when you travel can help you save cash



10 strategies for cutting costs

#7 Cashflow know-how



A major problem for many small businesses is late payment. This in turn affects their cashflow because they can't pay their own bills and may incur penalties as a result.

Keep a close eye on all your outgoings and incoming payments to make sure that you remain cash-healthy.

Things to try

- Make use of free invoicing tools such as [Hiveage](#) and [Invoice Machine](#) to help keep a firm grip on your incoming payments. For a more comprehensive list of free invoicing tools, [take a look at Mashable's useful blog post](#).
- Set up automatic or recurring payments for your bills where possible, so you aren't at risk of a late fee or penalty.
- If you have difficult customers that are always late with their payments, work out if it's worth your time and effort to keep supplying them. Check to see if they are actually still profitable if you take into account the time you spend chasing them up.
- Check all invoices thoroughly before paying to make sure you aren't being overcharged. Likewise, follow purchase order requirements carefully to help safeguard your own invoices being paid on time.

10 strategies for cutting costs

#8 Purchasing power



When you add up what you spend each year on supplies and equipment it can come to thousands of dollars – even for small businesses. And it's not just the high ticket items like equipment, raw materials and furniture, but the smaller items like stationery and business cards. There's always something on the shopping list.

However, with a bit of shopping around, you can purchase items for a fraction of the price.

Things to try

- There are freebies available online if you search. Business software licenses can have an impact on budgets, for example. However, you could cut these costs completely by making use of the wealth of free software that's available to download. Word processing, spreadsheets, presentation, graphics and database programs that work with other common office software packages can be found for free with [OpenOffice](#). Accountancy options include [TurboCASH](#), while [Zoho](#) offers help with customer relationship management. You can also find lots of online forms ranging from Employee Performance Reviews to Outline Business plans. [Entrepreneur](#) has lots of examples.
- Don't be afraid to ask suppliers if you're eligible for a discount if you buy in bulk or make repeat purchases. Knowing they'll get your future business may mean they're happy to cut you a deal, as times are tight for everyone. If you don't ask, you don't get.
- With many businesses shutting up shop every day there is always bargain second-hand office furniture and equipment available. Check eBay and Craigslist regularly.
- Small businesses can miss out on the discounts bigger businesses get from bulk purchasing – like on office and janitorial supplies such as paper and toilet roll. You could investigate joining a [small business group purchasing scheme](#) and potentially save a lot of money.

10 strategies for cutting costs

#9 Get your staff on side



Getting co-workers involved in cutting costs can be a really effective way of running your business to maximum efficiency. You can do this by making small changes to the way that you work and utilizing the skills of your colleagues.

Things to try

- [Employ an intern](#) help support your employees when times are busy. This means you won't have to commit to a full-time staff member. And you'll be giving someone to the chance to gain crucial work experience.
- Cross-train staff. If employees are left picking up work from others, it can be frustrating for them if they're not properly

trained. This will in turn affect productivity. By cross-training staff to carry out the essential parts of their colleagues' roles, you can make them feel empowered and cut down on temp costs. Create a staff holiday planner to help you manage with a reduced workforce.

- Outsourcing administrative functions like HR and IT can save businesses both money and time. It means small companies don't have to set up their own departments – departments where staff would likely have little to do most of the time anyway.

Making best use of your staff's skills can help with cost-cutting efforts

10 strategies for cutting costs

#10 Space savers



Rent is typically one of a business's biggest expenses. If you want a large, stylish office then you're going to have to pay rather a lot for it. If moving to a smaller space isn't appealing, why not try one of these options instead.

Things to try

- Technology has made it easier than ever for staff to work efficiently without heading in to the office. Allow flexible working and set up hotdesks that people can use as and when they need, rather than having allocated spaces for everyone. Your staff will also appreciate the improved work/life balance thanks to reducing the commute.
- Think about your location. Are you paying a premium for a city center location without actually needing to be there? If you rarely hold meetings at your office you may be better off where rents are cheaper, such as further from the center or in a business park.
- If you want a prestigious address without the high monthly payments, why not consider a virtual office? Providers such as [Regus](#) offer features such as a corporate mailing address, reception services and conference rooms without the high rent and utility costs.

Five-minute savers



Some cost-cutting ideas require you to invest time and effort in setting them up. If you need to save minutes as well as dollars, why not start with some of these quick money-saving tips?

- 1 Turn off the lights as you leave your business every night.
- 2 Check the times your heating and air conditioning is set to come on and go off – make sure you’re not heating or cooling the building when no one is in it.
- 3 Set your printer to draft mode to save ink, and tell staff that, according to research by Xerox, about 40% of office paper is discarded within 24-hours of anyone printing on it. Remind them to think carefully every time they print if they really need the paper document.
- 4 Sign up for free business directory listings online like [Merchant Circle](#), [Express Update](#), [local.com](#) and [FreeIndex](#) – a cheap way to get your name out there.
- 5 Say goodbye to standby – turn off appliances fully. A photocopier left on overnight wastes enough energy to print 1,500 A4 copies.

Small changes, big savings

Money saving tips

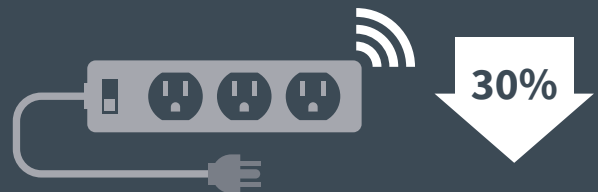


Installing occupancy sensors in rooms which aren’t always used within your office could reduce your total lighting costs by **15%**

Compact Fluorescent Lamps use **75% less energy** and last up to **10 times longer** than incandescent lightbulbs. Making the switch could save you **\$30 per bulb** over their lifetime

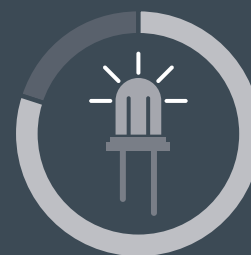


Save
\$30



Using smart power strips to regulate energy use on computers or printers could **cut energy usage by 30%**

Save \$20 a year per computer in your office by enabling the sleep function



Swapping incandescent bulbs in exit signs with LEDs could **save about 80% on signage operating costs**

Five-minute savers



6 Check your business account and set up alerts if your bank allows this. This will help prevent having to pay sizeable fees if your account goes overdrawn. Thanks to mobile and online banking you can check it anytime, anywhere.

7 Put a jar by the printer and ask staff to donate 50 cents if they use it for personal reasons.

8 Email invoices rather than posting them. (This one could save you time as well as money!)

9 Get rid of unread business magazine subscriptions. If you or your staff don't read all the magazines coming in to the office, then cancel the subscription or make sure that it's not renewed.

10 Go through your phone bill or cell phone bills and see if you're paying for services you're not using, then call and cancel them.

What are other companies doing?

Using case studies, we look at how other companies are saving money...

“

Michal Cheney of No Drip Painting suggests paying down your bills, focusing on the most expensive ones like credit card bills first, to keep money under control and save cash in the long-run⁶.

“

Audra Clemons, President of Audra Clemons Media Services, told YFS Magazine that her top money-saving tip is not to waste cash on fancy office space and instead make use of pop up offices and public spaces⁷.

“

BigTimeWireless cut down on paid internet advertising and focused on creating YouTube videos. The result? 700,000 views and a boost in traffic to their website⁸.



Creating a cost-cutting culture



If you're trying to save money, you need to get your whole team onside. There's no point in you personally making savings if your staff are then leaving their computers on all night or travelling first class for meetings.

Here are a few tips for creating a cost-cutting culture in your workplace:

Be honest and open

Explain up front why you are going to be cutting costs and how you are going to do it. If you just start analyzing expenses and company purchasing and instruct your employees to save money without warning, you may prompt people to speculate why, and that can

start rumours that the company is in financial trouble. This could in turn cause employees to worry about job security.

Get everyone to help

Make the most of any good ideas your employees may have about saving money by asking for their suggestions. By involving them they are more likely to follow through and implement ideas such as turning their computers off at night or reducing waste. They may also be closer to some issues than you and see ways of saving that you hadn't thought of. Some staff may also want to act as energy-efficiency champions.

Give staff clear guidelines

If you've introduced new processes aimed at saving money – like having a manager approve all travel expenses before tickets are booked – tell your employees and managers exactly what they need to do.

Ideally, have a staff meeting to explain the new policies, why you are implementing them, and how they will work. Staff will need to refer to the policies, so make it easy to find them. Put copies of all policies somewhere accessible like the company intranet, or on a noticeboard in a communal area. Update your staff handbook if you have one.

Creating a cost-cutting culture



Don't go on about it

If you are fired up with enthusiasm about your cost saving plans it can be tempting to keep reminding people to turn off their computers or the lights, but be aware that what seems like a reminder to you may feel like nagging to them. New habits take time to become ingrained – particularly when your staff are busy. If you nag they will start to resent the new cost-cutting schemes.

Try nudging them into better behaviour in more subtle ways. You could put posters up in key places like the kitchen or above the printer. If you want to promote energy saving, [Energy Star has a great communications toolkit](#) you may find useful.

Know when to stop

While saving money is important, don't do it at the expense of what matters most – providing a quality product or service, attracting and keeping excellent staff, or maintaining your company's reputation. If you take cost-cutting too far it may result in your office no longer being a nice place to work.

You know you've gone too far when...



Here are a few signs that you may have taken the cost-cutting drive a little too far:

You can't help yourself to a cup of coffee

Their morning cup of coffee or tea is what gets some workers through the day. Unplugging the coffee maker may save you a few dollars, but nothing is more likely to dent staff morale and make people grumble.

The managers are doing grunt work

When times are tough you may have to cut back on staff, and it's usually the entry level jobs that go first, or staff aren't replaced when

they leave. But this doesn't mean that the work they do has gone away, and senior staff aren't likely to respond well to being asked to do more basic level admin in their already busy day.

People think you've shut your business

Sometimes an obvious target for cuts is the marketing budget, but if you don't advertise or get your name out there, how will you attract customers?

Remember, it is possible to take cost-cutting too far

Cost predictability



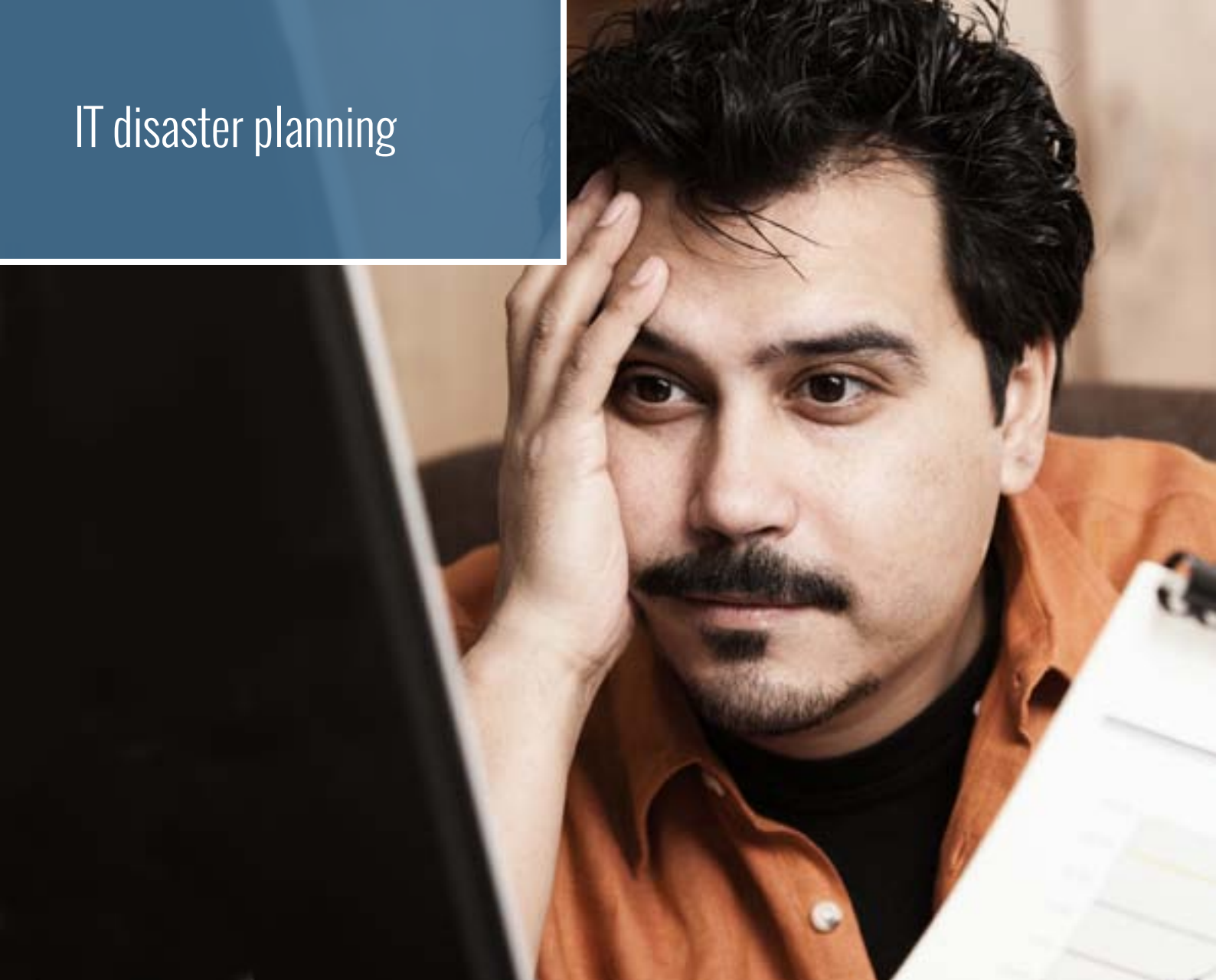
As well as quick, low-cost ways to cut your small business costs, it's also worth thinking about how you can plan ahead to stabilize the more potentially volatile areas of your business that may incur large, unexpected costs...

Cost-cutting measures aren't the only way to keep your business financially stable. Thinking about cost predictability means you're less likely to struggle if hit by IT disasters, or key employees leave or are off sick in the long-term.

It's almost impossible to anticipate all of the costs your business will face. There are always unexpected expenditures, and how prepared you are for them could be the difference between whether you keep trading or not.

Over the next few pages we'll take a look at some of the factors that can affect your cost predictability and how you can plan ahead to avoid them.

IT disaster planning



“ *Small businesses lose, on average, more than \$55,000 in revenue due to IT failures each year.* ”

CA Technologies⁹

“ *90% of businesses have unexpectedly lost access to their critical systems, and a third of businesses deal with downtime every month.* ”

Peer1 Hosting¹⁰

If an IT disaster hit your business, whether it's faulty hardware, a failure that halts your IT infrastructure or a problem that takes your website offline, how quickly would you be able to get back up and running?

If the answer isn't 'immediately', then there could be significant financial repercussions for your business.

Not only will you lose hours of working time, you'll have to spend what could add up to thousands of dollars on reputation management, as well as fixing the initial fault. If you lose valuable data due to an outage, for example customer details, there could be serious long-term consequences.

Plan ahead

As well as backing up your data weekly or more frequently, you could consider investing in business continuity solutions. Standby solutions and data recovery programs do require an initial investment, but they will pay for themselves when they help keep your business going if disaster does strike.

Accident insurance

With figures from the National Safety Council showing that around 38 million Americans suffer injuries that require them to seek medical help each year, it's not an issue any business can afford to ignore.

Plan ahead

Providing accident insurance means that your employees have adequate financial support to get themselves well and return to the workforce at full strength after an accident. There are also a number of other benefits to your business:

- The US workforce is becoming increasingly aware of how benefits tie into compensation packages. Including extras such as accident insurance can help strengthen recruitment efforts and help you retain staff, saving you money in the long-run as you incur fewer hiring and training-related costs.
- Accident coverage can be an employee-funded benefit, meaning there's no direct cost to your business

**48% of
employers offer
accident
insurance¹¹**



Employee absence

Unscheduled employee absence costs roughly \$3,600 per year for each hourly worker and \$2,650 each year for salaried employees.¹²

Your employees are your most important asset, and if a key member of staff is absent due to sickness, for however long, it can have a huge impact.

There are the direct costs, such as any wages that need to be paid to absent employees, the cost of having their work covered by temporary staff, and overtime and administrative expenses. Then there are a number of indirect costs including reduced productivity, poor morale among workers who are covering for their colleagues, and reduced quality of service due to understaffing.

Employees coming into work when they are ill can cause just as many issues, as their standard of work may not be as high as usual and they can spread their illness throughout the workplace, leading to even more absences.

Plan ahead

While it would be impossible to prevent all instances of illness, encouraging workers to take care of their

health through wellbeing programs can help reduce sickness rates.

Employers also need to think about how they would support their workers financially if they had to go on long-term sick leave.

Critical illness cover can help on both counts. Employees who have to take extended leave due to conditions such as heart attacks, cancer or strokes can rest assured that they will receive financial support while they recover. Such policies often include wellness benefits such as health screening, which encourage your employees to look after their health.

Other advantages of critical illness cover include:

- Consistent support to all employees across your organization.
- Different funding options depending on your budget – employee-paid, employer-paid or shared funding.



Among employees who access Work/Life Balance EAP services, 70% report they are less stressed and 61% report higher productivity.¹³

A company's success depends on finding and retaining the best employees and helping them stay productive.

If your workers are struggling with personal issues or don't have a good work/life balance, it can cause them to be unfocused and unproductive. Or they may require time off, leaving you a key worker down for extended periods of time.

Small businesses without a dedicated HR team may find it difficult to provide employees with adequate support during such periods.

Plan ahead

An Employee Assistance Programme (EAP) can help both you and your employees.

- **For employees:** Around the clock help dealing with any problems they're facing – from debt through to finding childcare – before they start having a negative impact on their ability to concentrate at work.
- **For employers:** EAPs can better help your workers deal with the stresses in their lives, making them more productive. Offering EAPs as an added benefit can also help increase company loyalty, meaning a more dedicated and motivated workforce.

EAPs are often available in packages with products such as group life insurance or group long-term disability insurance, making them better value for money.

But remember, not all EAPs offer the same services – make sure you do some research before you buy.

Small business is the backbone of America...

...and Colonial Life is the backbone of small business. We help protect millions of America's workers through our voluntary benefit products and services. By protecting workers like yours, we protect businesses like yours.

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