

Entrepreneurs

Creative Cost-Cutting Tactics For Small Biz

By Melanie Lindner, Electronically reprinted from November 17, 2008

How to pinch pennies until they wail.

With credit locked up and consumers on the sidelines, small businesses should be sleuthing for any and all ways to shave expenses. Chopping heads only gets you so far—slice into muscle and you may be too hobbled to ride the rebound.

"Many think that the next step is to eliminate head count, but they will almost certainly be late when recovery comes," says Ken Hagerstrom, chief executive of Carlsbad, Calif.-based consultancy Expense Reduction Analysts.

With that in mind, we canvassed small business owners and consultants across the country to root out a host of creative cost-cutting techniques.

Serious cost cutting means looking everywhere—even at the very packages that you send through the mail. Aaron Rubin, chief executive of karatedepot.com, an online karate-equipment retailer, cut costs by switching from the free boxes used by the United States Postal Service to lighter, bubble protected plastic

envelopes. While he has to pay for the envelopes, the difference in weight is so significant that it costs him less than using the free boxes.

"If you get a package down from one pound, one ounce to less than one pound, the saving for priority mail is over \$3 per package," says Rubin.

Sharing office space can save more than a few bucks. Tyler Jorgenson, a real estate broker in Chino, Calif., recently renegotiated his lease to include a provision for subleasing. He's now renting out 65% of his location and charging two tenants enough to cover his entire rent. One of the conditions of the deal is that Jorgenson pays for the utilities and Internet connection for the whole office (which he would have to do anyway if he didn't have tenants).

Sometimes you have to lie down with competitors for survival. Group-purchasing organizations like the Council of Small Business Enterprise in Cleveland negotiates on behalf of nearly 17,000 members to get better

deals on everything from employee benefit programs to office supplies. Buying in bulk lowers everyone's rates.

If after preliminary layoffs your payroll is still weighing you down, consider turning your line workers into entrepreneurs.

Say your firm writes software. Instead of chopping overhead by chopping heads, let each of the developers take charge of their own product while you take a stake in their efforts. In lieu of a salary, offer them partial support (in terms of marketing, product testing and health benefits) to build out their slice of the business and, with any luck, substantially increase their wealth. If all goes well, everyone wins.

Don't forget to crack open your information technology expenses. You could pay \$15 a month for conference-calling services offered by the likes of AccuConference, which allows an unlimited number of callers to convene for up to 10 hours per call. For

that price, you get special features like the ability to poll participants during the call and, if they have a computer nearby, real-time viewing of Power Point presentations.

Or you could pay nothing at the slightly stripped-down freeconferencecall.com, which allows up to 96 callers to have a maximum six-hour conference call. You can call in by phone or computer; record and reply to the call and share it by RSS feed or podcast. Cost: only your usual long

distance fees.

Cash-strapped manufacturers and other businesses with significant hard assets should take advantage of Section 179 of the United States Internal Revenue Tax Code. This provision allows deductions for "tangible" assets such as property and equipment.

In 2007, the maximum deduction was just \$125,000, but for 2008 and 2009, the IRS raised the amount to \$250,000. If you're thinking of buy-

ing, say, a new truck and want that deduction, do it within the next year because the maximum deduction will drop back down to \$125,000 in 2010.

Short on cash to cover year-end bonuses? Offer a few extra paid vacation days for the coming year instead. That way, you can still compensate employees for hours they didn't work, but you don't have to lay out all that cash in one shot.

This one may be a tough sell during the holidays—but, hey, it's worth a shot.

Highlighting added for emphasis.

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