4 WINNING COST-CUTTING STRATEGIES
(Donna Marie Thompson, PhDonhuffingtonpost.com)

This article explores three four cost-cutting strategies that are being deployed by companies all around the world, small businesses and your competitors. As a small business owner you can follow their lead to boost your profits as well. There is no one-size-fits-all approach. But one of the key themes in this research is to not wait until the ship is sinking before plugging your profit leaks.

1. **Cost-cutting Strategy: Expense Category**

   This is the most common method small business owners use to cut their excess costs. It’s simple, the information is generally readily available, and the cost-cutting options are easily found. Common areas for expense category cuts are: space, telecom, vehicle, utilities, and printing; they might be different in your business. The analysis begins with your current expenses and a view toward a more suitable level for those expenses. Take a look at your tax return or a recent profit and loss statement. Expenses might be cut across products, services, customers, and locations. There are lots of quick wins available with this cost cutting strategy. In which business expense categories have your costs grown beyond expectations? Perhaps a look at your year-over-year or seasonal trends might signal that an expense category analysis could be worthwhile in your business now.

2. **Cost-cutting Strategy: Product**

   The second strategy focuses your cost-cutting attention on a specific product or division. In this approach, all related expenses are on the table for consideration. The European company BASF recently underwent a major analysis to reduce fixed costs at its specialty chemicals business even as sales and profits increased in other areas. A small business owner could explore: purchasing, materials, design, production, and delivery, among other areas tied to a product. Any and every cost related to this product is under review. Using this strategy, there is a strong possibility that inter-related expenses can be found. For example, a change in materials could lead to a change in design options and production methods. Be advised that these changes can move in both directions; one way increases quality while another could measurably reduce quality.

   Are all of your products delivering their fair share to your bottom line? If it has been a while since you have done a product profitability analysis, now is a good time to see if more if your attention is warranted.
3. **Cost-cutting Strategy: Geographic**

The third strategy focuses on a specific geographic area or physical location such as a branch. Generally an income statement for the city (multiple stores) where the business is operating on a specific store location can be easily compiled. In this case all the numbers are used to evaluate whether the location is pulling its weight in terms of contributing to the required minimum profit margin and overheads. Electrolux decided to close its factory for refrigerators and freezers in Australia to concentrate its production in Thailand.

If you have multiple locations it’s time to run a geographic income statement to consolidate all the profits and expenses associated with that location. This analysis needs to be a bit more strategic because physical distribution expenses to some profitable locations will be greatly affected if some nearby locations are closed. So take a holistic look at this cost-cutting strategy before taking any action. But it is definitely worth a look.

As much as small business owners don’t like to admit it, some customers are simply not worth it. If you’ve encountered some bad customer behavior in your past you know exactly what is meant. These are the customers that make excessive demands, whose expectations simply cannot be met while you deliver your offerings at a reasonable profit. This is not referring to a one-time incident. Time and time again these customers squeeze out extra services, extra benefits, rework, special treatment, late nights, expedited delivery and a whole host of other cost building activities without a commensurate increase in price. You don’t need to take drastic action, but knowing what has happened in the past and your options going forward is very powerful.

If you’re not sure whether you are making money on each and every customer, perform a customer profitability analysis on a few of them. You’ll know where to start. Look at the revenues and go beyond the numbers to include associated services, time, and money required to service them and see if you are really generating your target profit margins on each customer in question. Look at your fixed costs to check on contribution. And you may find it’s time to treat your high-profit customers just a little better too.

No matter how profitable your small business is there are ways for you to cut excess costs and to boost profits to your bottom line. Excess costs exist in 99% of small businesses. Select one of these three areas to begin your own cost-cutting exercise in your business right away.

**NOTE:** National Small Business Week is May 12th to 17th.

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Every small business needs a business plan. It’s an essential document that’s not just for start-ups and expansions – because a great business plan can serve as a road map for your company and help you make the right adjustments when things go wrong. Your business plan should be a living breathing portfolio that evolves along with your company. Below are some crucial points that you should address with your business plan.

IS YOUR PRODUCT OR SERVICE INNOVATIVE?

Your business plan should highlight what is different, exciting, or inspiring about your product or service. An element of innovation will underline the viability of your concept, and help to persuade investors that you can succeed.

WILL PEOPLE PAY FOR WHAT YOU’VE GOT?

Your business plan should outline the potential revenue for your company by showing how much you plan to charge for your products or services, and why people will pay that amount for what you’re offering. This piece of information shows investors that you know the real worth of your company, and you’re prepared to avoid collapse and bankruptcy with realistic projections.

IS YOUR TARGET INDUSTRY GROWING?

Pitching a business that’s going to “revitalize” an industry is a tough sell – mostly because it takes more than one company to save a sinking ship. Investors like to see new or expanding businesses in industries that are either stable or growing because it presents them with a better chance that their investment will pay off.

WHAT DO YOU HAVE THAT YOUR COMPETITORS DON’T?

A great business plan articulates the differences between your products or services and similar offerings from your competitors. You should be able to describe why people will choose your widget over the next one in line, and therefore why your business will be profitable once you’re established.

WHAT ARE YOUR STAFFING PLANS?

Few companies can remain viable forever as sole entrepreneur operations. Eventually, you’ll need to hire people as your company grows. Investors want to know that you have smart, realistic staffing plans in place for your start-up or expansion.

(To read more: http://smallbiztrends.com/2013/07business-plan-questions.html?inf)
14 Customer Service Questions Small Business Owners Should ask
(by Shep Hyken, www.hyken.com)

Ask yourself these customer service questions and others in your company. These are conversation starters you can use for discussions about delivering amazing customer service.

1. What three things do you do best that differentiates you from your competition? Really look at how you are different. What is it that your competitors can’t say about themselves that you can say about yourself?

2. You can’t be the best at everything, so what is it you are not good at doing? Focus on what you are good at and improve upon where you excel.

3. What does your competition do that you can learn from? By the way, don’t copy the competition. Learn from them and improve on what you learn.

4. What do you do to make people want to be abound you at work? The focus of this question is on your internal customers. Do they enjoy working with you? If so, why?

5. What, if anything, do you do to come up with creative and innovative ideas? Does your company have some type of employee suggestion program?

6. How does your company train employees in customer service and relationship building skills? Many times companies spend a lot of money and time on training technical skills. The best companies also train soft skills, like customer service.

7. What policies or processes stand in the way of delivering amazing customer service and can they be removed? In other words, how easy is it to do business with you?

8. What does your company do to actively seek out complaints and problems? A complaint is an opportunity to show how good you are. Seek them out.

9. How do you or your company debrief negative experiences, turning them into teaching opportunities?

10. Use a negative experience or bad review as a learning opportunity to get better.

11. How do you celebrate success with your employees? When you have success, let everyone know they are appreciated.

12. Have you mapped out the typical customer experience and examined the impact from all touch-points at the front line? The customer journey map is a powerful tool for spotting opportunities to improve existing customer service.
13. What do you “give back” to your community? Community can be defined as local, global causes you are involved in, etc.

14. Does everyone understand that customer service is not a department, but a philosophy?

IT’S ALSO AN ATTITUDE!

**COMMON ERRORS CAN PLAGUE SMALL BUSINESSES’ WEBSITES**

*By Caroline M. Portillo on dispatch.com, 4/14/14*

*If your small business doesn’t have a website, you’re missing out on clients and cash. Already have a site? Good. Now let’s talk strategy because the quality of that site also could be affecting your bottom line. “An (unpolished site) definitely colors the way you look to the world. It colors your value to the consumer. And it can definitely hurt you,” said Buffy McCoy Kelly, partner and creative director of ad agency Tattoo Projects in Charlotte, N. C.*

Kelly McCoy and other experts in marketing, advertising and Web design compiled a list of mistakes that small-business owners often make when developing and maintaining websites. Their tips:

**Visual Mistakes:**

- **Burying contact information:** The whole point of the website is to be a point of entry for a customer. So don’t hide your phone number and email address at the bottom of one tab, said Randy Smith, founder of Charlotte-based Synchronicity Web Designs. And make that email address a hyperlink.

- **Failing to embrace “white space”:** White space is the artsy term for the blank area on printed pages, posters and websites. And in a layout, it can be as effective as type. If there’s too much vying for a user’s attention on a site, they won’t know where to go for the answer they needed. So simplify the visuals and focus on one or two key images and short paragraphs.

- **Dead links:** It’s a good idea to log onto your website from a different computer every once in a while and make sure that there are no links that lead to sites that no longer exist.

- **Content Mistakes:** Too many words: But “people scan websites; they don’t read them. They’re looking for the best content in about the … top third of what they read.” In the “About Us” section, you should give a clear picture of your business in one short paragraph. If you need more space to describe complex, industry specific-products or services, she said, do it in other areas of the site.

- **Typos and grammatical errors:** This is an easy way to alienate an audience. Have knowledgeable eyes scan your site to check for potentially costly mistakes.
Failing to focus on search-engine optimization: You could have a beautiful site, but without industry buzzwords, you won’t land high on a Google search. Small Business owners should make a list of the top 25 keywords or phrases that define their business and industry. Then build a plan for how to best use those keywords consistently.

(Taken in part from the Illinois Small Business Development Center Network, WEEKLY CONNECTION, April 21, 2014.)

SMARTER COMMUNICATION—SMARTER COLLABORATION
Maren Hogan/April 2014

Going from a one-woman marketing consultancy to a burgeoning agency is not something one plans, but a couple of years ago, I found myself hiring talented people and plugging them into my own workforce plan and in time, to those of my clients. Because I wanted to ensure top-quality work from my team, my initial plan was to make each an SME (subject matter expert) within a specific area. One person handled social, another e-mail campaigns and so on. This worked wonderfully until digital ad management became an offering and overlapped with social and marketing automation grew over email marketing, and feathers quickly got ruffled. I had worked my team into a corner. Business was booming, but my workplace e was a morgue. If I didn’t act quickly out effectiveness was going to suffer. As workplace collaboration specialist, Jacob Morgan says: “Collaboration should never be seen as an additional task or requirement for employees. Instead collaboration should fit naturally into their flow of work.” This is exactly what I wanted to achieve when I set out to foster collaboration in my team. What we did:

Break bread together: We now have a mini-party Friday afternoon called the “eatin’ meetin.” The whole team rounds off the week with a glass of wine, and light snacks. The tone of the meeting can change from week to week, but I always lead the meeting with the same general outline. We share our weekly output and what we wish we’d done better, thank each other for contributions and get excited about internal projects (that never get done). It’s at these meetings that people’s passions really bubble to the surface. Often this creates a fantastic cross-department brainstorming session. Step one completed!

Green eggs and Yammer: We have a work-flex environment and someone is always traveling. To stay on the same page, we needed a communication solution beyond email. Yammer is our tool of choice and it serves as our company intranet. Our designers can get feedback (even from non-creatives) and our e-mail blasts get the benefit of extra eyes. Everyone can see what to promote on social from our #Pleaseshare hashtag and we keep client-specific requests accessible and searchable with hashtags.

Clinked.com reveals that seven of ten Internet users are using social networks to connect, share content and stay informed. We all use social media in our everyday lives anyhow, so it became a natural part of our work environment.
Work together? Get together. Did you know that despite the popularity of such professional social platforms, workers are not likely to collaborate if they are more than 50 feet apart? Sometimes in order to break down silos, you have to force people together. It’s easy for cliques and teams to become rather insular if they never interact with other folks in the workplace. So, moving desks and scooting chairs is a daily occurrence in our office, and we like it that way. Working with people you aren’t used to not only “ups” your game in that particular skillset, it makes it easier to know the professional capabilities of that person. Great ideas and fun collaboration don’t happen in the body of an e-mail, they happen between two like minds. Collaboration is vital to good work. Silos can be hard to break down, but the end result is well worth it. At my company, we turned good work into great work, and now the office is buzzing with activity!