

# Major Ways to Cut Business Cost

Farjana Quader

**W**hen business is going very strong, we at times forget about being frugal. In most of the cases, companies are not always prepared for the bad days or slow growth. In cases of financial crisis, every business house needs to focus on cutting costs, just to stay afloat. Prioritise high profit earners from existing customer base, or target new customers – don't get bogged down servicing the same customers if profitability is not at least at your industry standard. There are many ways to cut the cost.

Mentioned below are major six ways any business can make reductions in expenditure, without reducing the quality of product or service the business offers its customers.

## 1. Reduce Employee Costs

Some companies successfully –

- a. Outsource any jobs where a full-time employee is not necessary. This will cut your payroll expenses, health-care costs and space requirements.
- b. Introduce a reward scheme for employees who do not take any sick days in a year or six-month period. The cost of the reward is minimal compared to the savings made by the company.
- c. Rather than pay overtime rates, try re-organising the work rosters and routines to prevent the need for overtime.
- d. Offer staff incentives for reducing their personal days and sick leave taken.
- e. Hire college students or interns – internship programs are a win-win for both sides. You get an ambitious employee who

will do monotonous work and they get college credit, experience and hopefully, an excellent reference.

- f. Hire independent contractors or temporary workers as needed.
- g. Outsource your payroll, benefits and HR.
- h. Consider a virtual assistant or answering service to reduce payroll.

## 2. Review Procedure, Ensure Efficiency and Reduce administrative cost

This is a good time to review all your procedures and work processes to trim the fat. Look at where you can save someone's time or resources that the company pays for. You can –

- a. Reduce the amount of photocopying and there-



fore save paper and toner costs

- b. Use laptop computers. Laptop computers on average consume about 90% less energy than desktops.
- c. Get rid of the fax machine. You can save your company hundreds of dollars a year by using an email faxing service.
- d. Recycle your old ink and toner cartridges, and not throwing them out. Also

save old copies and use the back side to print out drafts of documents to save on paper costs.

- e. Eliminate unused trade magazine subscriptions or dues you're paying to trade organizations.
- f. Reduce the amount of photocopying and therefore save paper and toner costs.
- g. Cut back on travel expenses. Utilize teleconferences, web-casts, webinars, and Live-Meeting software for presentations and only attend local industry events and workshops.
- h. Get advice from your employees. Many times those on the front-lines are aware of areas where money is wasted. Hold a short brainstorming meeting with your staff and discuss any ways the business can cut back. They will appreciate being involved and knowing that you are taking steps to cut costs that don't include laying them off.
- i. Request monthly, consolidated invoices to improve cash flow and reduce administration costs.
- j. Savings can be found in managing your travel well. Avoid last-minute bookings; you can save more than 30% by booking weeks, not days, in advance.
- k. If you or your staffs are using a lot of hotel rooms, look at negotiating a better rate with one



# Capital Market Performance

## A quick Review

hotel chain.

1. Working more efficiently saves valuable resources.

### 3. Reduce Damage to Equipment

Regular checks and maintenance of equipment would ensure replacing worn parts before more serious and costly damage occurs.

### 4. Staff Incentives for Cost Cutting

Some companies are offering employees a share in the cost savings made over a specific period. This encourages and motivates staff to work more efficiently, reduce injuries, damage and to participate in reducing costs themselves, rather than leaving it all up to the managers.

For example, if your employees can reduce costs by \$10,000 a month for six months, your company will save \$60,000. If you give even 50 per cent of that back to the employees in staff incentives and bonuses, your business will still save \$30,000 in six months. Offering staff a share of 25 or 10 per cent of the cost savings would give your company even more benefits, while still encouraging the staff to reduce expenditure on behalf of the business.

### 5. Adjust Advertising

a. If you have a website, be sure to let people know the address. Put your website or email address on anything printed, such as letterhead, business cards and ads in the paper or phone book.

b. Improve your web site. Simply adding relevant content to your site on a regular basis will boost your marketing efforts for little cost.

c. Utilize social media to market your business.

d. Develop an e-newsletter

to stay in touch with your clients. It's usually much cheaper than producing printed pieces.

e. Building good relationships with suppliers can result in reductions in costs. Ask them for suggestions on how to improve the way in which you work together.

### 6. Lower Overhead

a. Consider subletting or leasing your unused space. If you do, be sure to talk to your insurance agent – changes to your property coverage may be necessary.

b. Switch to an office suite, and share copiers, meeting rooms and a receptionist with other small business owners to cut business expenses.

c. Buy used office furniture, computers and phones as needed. The best deals are often found online.

d. Place your lights on a timer and change to a programmable thermostat to save energy.

e. Turn off equipment when not in use. Sometimes the easiest ways to reduce business expenses are the most effective.

f. Switch to a cheaper internet service and telephone provider. Often you can find these services bundled at substantial savings.

There are many other ways of reducing expenditure by the business. Every cost saving you can make, gives the company more profit and reduces the impact of the global financial crisis. Cutting costs now can ensure the business survives the tough times and is still viable when the economy improves.

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**F**or some time the Bangladesh capital market has been ripe with rumours but fortunately none very serious has materialized so far. This is mainly due to a much improved regulatory system now being practiced as well as assiduous market monitoring. From time to time SEC (Securities and Exchange Commission) issues directives clarifying the existing rules or setting new guidelines. For example, stock brokers are now required to calculate the market price of portfolio/securities to determine the Margin requirement following "{Closing price of the securities +Net Asset Value}/2" method. In another development SEC fined Jamuna Oil for failing to submit the company's audited financial statements for

FY 2009. Still, the general investor needs to be wary and understand market fundamentals. Before investing in a company he should study a number of facts about it including its EPS (Earning per Share) and its accounts statements. Sometimes good shares lose in value and when they do so the investor should not resort to panic selling, for good shares in the long term prevail with their intrinsic strength.

There is no doubt that the capital market has created tremendous opportunities for investment. In February 2010 alone 170000 BO (Beneficiary Owners) accounts were opened, the second highest number since October 2007 when a total number of 191000 BO accounts were opened. □

### DSE Performance as on 29 April 2010:

Final Index Change (Points)	Change(%)
All Shares Price Index (DSI) 4641.53744	- 3.14244 -0.676567
DSE - 20 Index (DS20) 3039.16694	-13.84951 -4.536336
DSE General Index (DGEN) 5654.87722	- .96128 -0.169962

All Category	B Category
Issues Advanced : 89	Issues Advanced : 8
Issues Declined : 159	Issues Declined : 26
Issues Unchanged : 2	Issues Unchanged : 1
Total Issues Traded : 250	Total Issues Traded : 35

A Category	Z Category
Issues Advanced : 67	Issues Advanced : 7
Issues Declined : 103	Issues Declined : 24
Issues Unchanged : 1	Issues Unchanged : 0
Total Issues Traded : 171	Total Issues Traded : 31

Total Transactions
A. No. Of Trades : 186518
B. Volume(Nos.) : 45878665
C. Value(Tk) : 13894205757.35

Market Capitalisation
Equity : 1974137250613.35
Debt Securities : 386314936500.00
Total : 2360452187113.35

Source: DSE