

## **Small Changes Add Up to Big Profits**

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Every business owner or manager knows that economic conditions have changed the ways companies are managing operations and doing business with their customers. Businesses are controlling operational costs, while customers are spending less.

Though economic environments have changed, and will continue changing, owners and managers need to operate their businesses with an eye to the future. Many have returned to running their companies at a basic level. Managers are rethinking the operational aspects of their businesses that have been overlooked and customer relationships that may have been taken for granted while the economy was booming.

### **Every Company Needs to Keep Selling and Marketing**

The economy will turn around at some point in the future, so now is the time to stabilize and grow your company's market share and customer base. Ensure that long-time customers are happy and that they know your company is stable and open for doing business. This is also a great time to find new customers as current market conditions may have caused competitors to pay less attention to certain sales channels and markets.

Under current market conditions it is easy for a business to stop trying to acquire new customers or neglect selling to their established customer base. This is an incorrect course of action in a slow economy. There is no better time than now for a company to keep selling and marketing its products and services. Now is the time to try different marketing strategies and methods, by spending dollars on highly focused marketing methods that reach new target markets or the company's already established market area.

A company should try to avoid price increases while at the same time avoiding the urge to discount products and services. Discounting products and services will require the company to sell more units to reach the same level of revenue and even more units to reach the same level of profitability. In addition, discounting products and services when customers are buying less makes the prospect of raising prices in the future even more difficult.

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### Reevaluate Cost of Goods Sold

There is no better time than now to reevaluate your company's cost of goods sold by:

- Getting suppliers to re-quote materials
- Reviewing production and warehouse equipment maintenance contracts
- Ensuring that only the equipment in service is being covered by contracts
- Buying smaller quantities of material and supplies
- Maintaining smaller investments in inventory

### Freight Costs

Freight in and out are major cost components that need to be controlled by:

- Charging for freight on small customer orders
- Having key vendors bundle shipments from their warehouse to your facility
- Using freight forwarding services for international shipments
- Shipping international freight in full containers to lower costs
- Avoiding air freight shipments whenever possible
- Reviewing volume discounts with all freight and delivery services

### Operating Expense Review

Businesses often overlook changing their operating expenses to match their current business level. When companies do address their operating expenses it is often in reaction to long-term declines or erosions that can no longer be avoided. Even in good economic times companies need to have quarterly operating expense reviews by line item, vendor, and other service providers. Simple services to review are:

- ***Incoming telephone lines.*** Make sure the business needs the level of incoming lines.
- ***Long distance.*** The cost of long distance service has fallen greatly, so make sure you have the best long distance rates available.
- ***Internet service provider.*** Research new Internet providers in your area. Often you can bundle your Internet and phone service, resulting in improved Internet access speeds, better long distance rates, and reduced phone line charges.
- ***Mobile phone service.*** Make sure that the company is only paying for cell phones that are in use and review service plans. Offer employees a per diem rate to use their own cell phones.
- ***Insurance policies.*** Ensure coverage is tailored to current needs of the business. Levels of coverage should be reviewed for liability limits, inventory amounts, automobile coverage, key person life insurance, and health insurance.

### Conserve on Fixed Expenses

Companies should conserve on fixed expenses. Although the expenses will never go away, it is often easy to reduce the monthly costs by doing simple things, such as:

- Installing energy saving light bulbs in the building
- Turning off lights, computers, printers, and photocopy machines at night and on weekends
- Getting programmable thermostats for office areas to adjust the temperature automatically to match the hours of operations
- Installing timers on electric water heaters to only heat water during business hours

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### **In-house versus Outsourcing**

Businesses should review their cost structures related to services that are currently being outsourced or performed in-house. Due to changes in business levels, see if it would be more cost effective to bring these services in-house or to outsource the service. Businesses should evaluate using part-time employees or independent contractors to allow for a more variable cost structure. Computer services, support, and website design are examples of items that may be more cost effective to outsource.

### **The Results**

As a company implements these various small changes you will see that they can add up to big savings that will help improve the company's profitability now and well into the future.

Ask employees, vendors, and customers for their ideas on changes they believe will help save the company money or improve customer service without increasing costs. It is amazing how these little things will engage everyone to ensure that the company is profitable!

The Siburg Company, LLC is a boutique consulting firm specializing in the areas of financial and operational consulting, business development, and mergers and acquisitions.

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Dan is the Managing Director of The Siburg Company, LLC and has experience as both a President and Chief Financial Officer. He provides mergers and acquisitions services to clients. The Siburg Company, LLC helped companies to improve operational functions and organization to manage costs and increase revenue streams, while implementing strategic policies and procedures that focus companies on profitability. He is a CVA (certified valuation analyst) as well as a CPA.

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Howard has had success operating four publishing companies. He has founded, built and sold two successful trade book publishing companies, one to a major newspaper chain and one to a major New York publisher. Howard now is a consultant for The Siburg Company, LLC in the areas of business development and mergers and acquisitions.

We invite you to call us to discuss your current business needs or to schedule a future appointment.

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