

Small Business: Finding cost savings

February 1, 2012 by JAMIE HERZLICH / jherzlich@aol.com



Small businesses have to look at expenses and purchasing as a business unit that can deliver profits, "because those savings go straight to their bottom line," says Lisa Miller, CEO of VIE Partners in Wall, N.J., a cost containment consultant.

What are you spending? You need to create a cost reduction road map, which starts with analyzing purchasing data, reviewing vendor contracts, and auditing invoices, she notes.

Pull a 12-month vendor report from accounts payable, she recommends. Analyze what you're spending on goods, services and maintenance contracts. Look at the top vendors you spend the most with, and if you have contracts in place, conduct a contract audit review. Pull the last three months of invoices and look for discrepancies between what you were promised in your contract and what you're actually charged, Miller says.

Some of the biggest billing errors occur in a business' telecommunications and utility bills, says Ken Reda, managing partner of Profit Advisory Group, a Charlotte, N.C.-based expense reduction consultant.

"You need to really check your vendor bills and ask questions," says Reda, who had one client with multiple locations that was still being charged for electricity and phone service at a location it had closed three years prior.

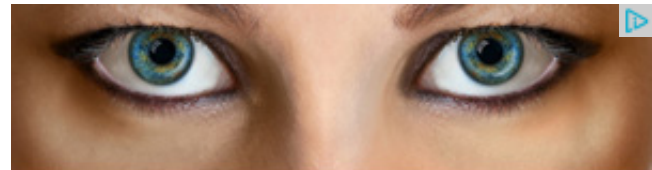
Renegotiate. You should also be looking to renegotiate with vendors to see if there's a better program or service that you could be getting for your money, Reda notes. Companies are hungry for business, and it doesn't hurt to ask.

Check carting: Reda asks: Does your Dumpster need to be emptied as often as it is, and could you have some material recycled?

The economy has forced companies to operate a lot leaner these days.

With rising costs and weaker sales, businesses have no choice but to cut expenses.

The key is being able to make cuts without undermining the entire organization, which requires companies to dig a bit deeper when it comes to finding cost savings, experts say.



See your network with new eyes.
Next Generation Network
Performance Monitoring
from SevOne.



Download for Free

Bob Friedman, president of Coffee Distributing Corp., a [Garden City Park](#)-based supplier of office refreshment products, was able to cut carting costs in half by finding partners to recycle and pick up for free its shrink wrap and metal. And CDC gets paid for the metal the recycler carts away -- when it had been putting it in a Dumpster and paying a commercial carter to remove it.

The company also found savings by replacing aging vans with more fuel-efficient ones and installing solar panels on its roof, Friedman says.

All told, the company trimmed about 10 percent off its operating costs, he says.

Trim shipping and supplies: Other areas for savings include freight costs and office supplies, says Neil Seiden, managing director of Asset Enhancement Solutions in [Port Washington](#), which specializes in financing, expense reduction and turnaround.

For instance, you can request a detailed report from each freight carrier that lists key information from each freight bill. Use this information to highlight billing errors, areas for cost reduction, opportunities for consolidating shipments, inconsistencies in the rating of commodities, etc., Seiden says. Analyze office supply purchases and use that information to solicit competitive bids on larger volume purchases, he notes.

Look for energy savings: The [Long Island Power Authority](#) offers free energy audits/assessments to help businesses identify savings opportunities, rebates, etc., notes LIPA chief operating officer Michael Hervey. Businesses can visit [lipower.org/commercial/](#) or attend LIPA's energy-efficiency conference on Feb. 14 at the Hilton [Long Island](#) (see [lipower.org/commercial/rsvp](#)).

Among the biggest savings opportunities are in the areas of lighting, and refrigeration and cooling, Hervey says.

"Almost every business has an opportunity to have significant savings in their energy," he notes.

Fun fact

5-7%: The error rate on vendor invoices annually.

Source: [Lisa Miller](#) of VIE Partners

[< back to article](#)