



How cost savings can save your business

November 8, 2024

Written by Prof Tommy du Plessis

“The final test will be whether the business can succeed in controlling costs to such an extent that the company's viability can be guaranteed over the long term in times of economic pressure.”

It may happen that your sales stagnate, your best customers temporarily withdraw their support due to circumstances, you must use your savings to pay staff salaries, and the current economic conditions have dealt a severe blow to you and your business.

Before you completely lose heart and start wondering how to get rid of your business or start figuring out which path to take to close the company's doors, think carefully about whether you might be able to tighten the belt a little tighter first.

Maybe, just maybe, one of the following cost-saving tips can save your business:

- The most important tip is surely that every business must have an operating cost budget that is analysed, compared, and adjusted on a regular basis according to changing circumstances. Look at each cost item and think of ways to keep it to a minimum without compromising the company's performance.
- Rent out unused shop, office, or factory space to another business. There may also be equipment such as copiers, fax facilities, printers, computers, or even phones and desks that can be rented out to another business owner.
- Think creatively and try to maximise the use of space and equipment.
- Keep the stationery cupboard locked. It is one of the small jackals that devours profits. Ask staff to be sensitive to wastage on stationery and to use the pens and notepads that suppliers generously distribute.
- Manage telephone costs with an iron hand. It is not a staff benefit to make private calls from work. Rather, pay the extra fee to get detailed statements from your phone provider and analyse them thoroughly and regularly. Staff will respect what you inspect.
- Review the company's short-term insurance regularly. It is good practice to also compare other quotes regularly with what is currently being paid.
- Make sure that all assets listed on the insurance schedule are still on the company's asset register and have not been sold, traded, or written off.
- Compare courier service costs before simply using the most convenient one. Often, it is just too much trouble to use a specific courier service because the item must be delivered to them or is waiting in a counter queue.
- Ensure that someone takes responsibility for switching off lights, computers, and air conditioners when the premises are vacated. Replace light bulbs with energy-saving products. Energy savings save money.

- Plan and limit travel and accommodation costs. Don't just visit one client on a business trip. Make the trip worthwhile and cost-effective. If possible, try to stay with family or friends.
- If flying is necessary, be on the lookout for special flight offers.
- Negotiate better terms with the bank. If you are a good customer for the bank, they will always be open to negotiation. In any case, always be on the lookout for a better deal, whether it is with the bank or with suppliers.

The final test will be whether the business can succeed in controlling costs to such an extent that the company's viability can be guaranteed over the long term in times of economic pressure.

**Prof Du Plessis was the Director of the NWU Business School in Potchefstroom from 2003 to 2017.*