

3 areas where small businesses can save money

Starting out a business can be an expensive undertaking. In fact, research from Shopify suggests that small business owners spend approximately \$40,000 in the first year of business alone, when considering all of the different costs. Further data from the U.S. Small Business Administration suggests that the majority of microbusinesses cost around \$3,000 just to get started.

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When looking at what small businesses have to spend money on, the list is extensive. Depending on the nature of the business, small businesses may need to consider costs of the product, operational costs, any costs associated with running an online store (such as hosting service), shipping costs if relevant, physical overheads (including rent and gas), staff costs and marketing.

Employees

Having a team on board to help you grow your business can be invaluable. However, it can also be a big expense once factoring in the costs of salary, taxes and staff needs (there are employee schemes to help with this).

If you cannot afford it or are unsure whether you need a permanent staff member, it might be better to rely on a pool of freelancers and outsource your tasks. That way, you only pay for the tasks that need doing and you can ensure that the tasks are at a high quality.

Another way to save money when growing your team is hiring recent graduates and investing your time in training them up. Recent graduates are usually eager to learn and enter the workforce. Their salary expectations will not be as high because they lack experience. Working with new graduates might require more time to teach them how to do things but could save your company a huge amount of money and kickstart a new graduate's career.

Equipment

When considering what equipment you need, be it IT equipment, office supplies, or machinery, think about whether it would work out cheaper to buy or lease. It may be cheaper to fork out in one initial payment if it can save you money in the long run, but you should way up the cost per use analysis. If you decide to lease an item, it could work out cheaper.

Remember, if you *lease an item*, you are not responsible for the maintenance or parts so could potentially save money here. If it is more cost-effective to buy the equipment, you could purchase it second and in order to cut costs or, for technological equipment, see if you can opt for a slightly older and cheaper model.

If your team requires equipment, rather than buying equipment for all staff members, think about implementing systems that allow them to use their own devices at work. This can sometimes be preferable for staff members and more comfortable, and it has the added bonus of saving the company money. However, if you choose to do this, make sure you are taking security seriously and are introducing the right measures to keep any workplace data safe.

Premises

Depending on the nature of your business, the location of your work may

not be something that can be changed. However, if you can be flexible on work location, you may want to consider alternatives to a physical office.

In recent years, we have had to embrace remote working meaning that companies are now more adept at handling a remote workforce. If remote work or hybrid working are an option for your work, this could be a way to save a huge amount of money. By having staff work from their homes, you do not have to cover the costs of a physical office. There are challenges to a remote workforce but if you are well-organised and prioritise communication between staff, it can be a good way to work.

If offices are necessary for your business, consider the location and type of premises carefully. For example, buildings in the city centre are likely to be more expensive than the outskirts. You could pay more for fully services offices, and skip the costs of setting up your offices and buying furniture or equipment; weigh up the cost of this and see if it could be worth your while renting an office space that is not already fully set up.

Think about exactly what you need to avoid overpaying. For example, think about the size of your team and your requirements. Only rent the space that you actually need to avoid paying for any square footage that you do not need. If you foresee your business expanding in the near future, you will need to take this into account before signing any lease agreements. For example, check if there is any flexibility regarding expanding or reducing the size of your unit and how much that might cost.

Further ways to reduce your costs

Negotiation - when starting out, don't be afraid to try and negotiate prices and terms with suppliers and landlords. The worst that could happen is that they say no, however, in a best case scenario, you could end up saving a lot of money in the long run.

Be frugal - get into good habits early on about only spending what you need. For example, if you need to travel for business, think about the most economical way to travel.

Stay on top of cash flow - There is nothing wrong with having a cash injection into the business. Whilst some startups and businesses look for official funding through VCs, there are some low cost measures, such as using credit lines or credit facilities through business credit cards or overdrafts.

Or even some low-cost measures if you need to borrow money online, using things like invoice finance as accounts receivable or a short-term business loan which can always be repaid quickly if you no longer need it.

Track your spending - as soon as you start your business, keep track of all of your spending so that you know exactly where your expenditure is going. This will help you with long-term budgeting and could also help you identify areas where you might cut costs.

Try free advertising - it can be tempting to use your budget for advertising and marketing, especially when starting out and trying to make a name for yourself. However, try to think creatively and see if there are any opportunities for free promotion, sponsorship or advertising; you could make a big impact for little or no cost rather than spending on large-scale campaigns.