

TOP 5 AREAS YOU SHOULD CUT COSTS IN YOUR BUSINESS IN 2016

Summary: *Cut and control costs in your business in a sustainable manner in these 5 areas.*

What is one of the most often employed ways to increase profits in your business? Enacting cost cutting measures.

Common sense tells us cutting costs can improve your bottom line and improve operating capital, and it is true. You should be warned, though. Be careful not to cut too harshly or in areas that will negatively affect your company's long term prospects.

You can't go a day without hearing the word "sustainable," but it is more than just a buzzword, especially when relating to your business. You want your cuts to be sustainable and actually build your business over the long-term. After all, you'll want your business to last much longer than just through the next couple of quarterly reports. Cost cutting measures should be well-considered, planned, implemented, and then later evaluated. Before making blanket statements like, "We have to cut 5-10% across the board," ponder the impact, and instead consider these 5 areas for sustainable cost cutting.

1) Look for savings by solving your biggest business challenge.

Define what is the biggest difficulty or challenge affecting your business, and not necessarily from a cost saving aspect. If you dive deep into your major issues, you are bound to devise better methods and eliminate inefficiencies.

2) Cut costs by refocusing resources.

Deeply evaluate your company's strengths and weaknesses and reassess your company's long-term market strategy. Consider cutting areas where your business is not competitive in the market and redirect resources to departments or divisions where you are strong in order to ensure continued growth and market presence. For best results, do what you do best.

3) Create a continuous-improvement culture.

This can be ultimately one of the most difficult strategies to implement, but when successfully applied, will have the greatest overall impact on savings, efficiency, quality, and performance. Develop impeccable quality and efficiency standards and implement them at every level of your business. Make sure everyone at every level, from executives to middle management to desk level, acts as an example of these values. Empower everyone to suggest and help implement process improvements. Your greatest resources are human.

4) Reduce expenses from materials.



As a business owner or executive it is essential to know where you are spending and how much. You could be spending too much or improperly allocating funds on regular materials or supplies. Have you explored other options such as other suppliers or alternative materials? Renegotiate rates regularly. Get new competitive bids. Just make sure you never compromise the quality you offer your customers for a cost savings to you.

5) Cut excessive services.

It is likely that there are certain services your company offers its customers that just are not necessary. You could be producing excessive and superfluous services that don't truly add value beyond your core product. You should identify and eliminate what your customer does not want or need. For example, one employee could be spending hours each week generating a detailed report for your customer, when all your customer needs is to be notified of exceptions.

Ask questions, and reevaluate the need for certain functions in every department as things change over time. Process and systems improvements as well as evolving customer expectations may render old services obsolete. Often employees just keep on doing what they have always done, "because that's my job," and managers may not know the extent of the labor put into such a task.

There is no one blanket answer to cutting costs. A well-executed cost cutting plan must include extensive evaluation, planning, and consideration. Be careful not to cut off your right leg when all you really want is to trim the fat. Examine these areas as you plan your sustainable cost savings this year and [check out this article](#) for other cost cutting tips.