

THE CUSTOMER WHISPERER | BY GREG BILLINGS

# Cut Costs, Now.

Fresh sales and marketing strategies may well increase revenue, but they might not put those dollars onto the bottom line. Every dollar of reduced expense, however, does indeed go into the small business owner's pocket, sometimes untaxed. The new year offers us ample reminders to take a fresh look at all aspects of our operation.

On the expense side of the ledger, it is the little things that get you — especially costs that recur every month. A \$25 monthly fee doesn't seem like much, but it's \$3,000 over 10 years. With our eye fixed firmly on net operating profit, here are your humble writer's top 10 cost-cutting ideas for the new year.



**These first four items represent things you should have already done:**

## 1. LED LIGHT BULBS

Concern about the Feds seizing your 150 watt spots aside, LED bulbs are great. In your showroom they produce much better light than fluorescent, they generate almost no heat, and they last nearly forever. If you don't like climbing a ladder to change light bulbs, that might be the biggest benefit of all.

We cut our electricity cost nearly in half, and considering that A/C is a big part of a Florida power bill, the savings on the lighting portion were more like 70 percent. These bulbs are expensive, but your break-even is measured in months, not years.

## 2. YELLOW PAGES

Look, it's over. It appears that only doctors and lawyers are still buying Yellow Page ads. (Would you take marketing advice from a doctor or a lawyer?) Cut it completely. If you don't qualify for a free listing because of

geography, buy the smallest listing available. (You may still need a listing to show up in the white pages and on Internet searches.)

## 3. TELEPHONE

Still have an 800 number? Cancel it. Nobody cares about toll free calling anymore.

## SEEING THE LIGHT

Here are a few LED conversion tips:

1. After spending hours shopping for the best price online, we found them for the same price at Home Depot and Lowes.
2. You buy electricity in kilowatt hours, so how long a bulb is on is a big factor. A closet you rarely use can keep its 60w incandescent.
3. Your outdoor signs, illuminated long after you close, should be the first to see conversion.
4. Forget about watts. The new measurement is lumens.

And do you really need all those lines? We were able to combine a line required for fire protection with our fax line. Since email has mostly replaced faxes, we also use that line for outgoing calls. Look at discount packages your phone company has available. We were able to cut our phone bill by 30 percent.

**Look closely at recurring bills, find ways to get little bonuses and, most important, look at every invoice yourself**

#### 4. CREDIT CARD PROCESSING

This is huge. A \$500k music store could save \$4,000 a year by switching services. The contracts are very complicated and many of the people selling this service are sharks. Don't trust them. NAMM has a great partner, [tsysmerchantsolutions.com/NAMM/credit/](http://tsysmerchantsolutions.com/NAMM/credit/). Get a quote from them, take that proposal to your bank, and ask them to meet or beat it.

And read the fine print. The important number is "basis points over the interbank exchange rate." Fees are negotiable and should be very small. Nobody pays for terminals anymore. Avoid key-entering card numbers. Scanning saves money. If you are taking credit cards in the field, get a card scanner for your smartphone.

**The next six items represent things you really should do immediately.**

#### 5. CREDIT CARDS, PART II

This is going to sound weird: Always pay with a credit card, if possible. Some offer significant discounts, called "rewards," which is just what they are. Most of your suppliers are happy to take a card and pay a fee rather than incur a receivable.

Our favorite reward is from the American Express Plum Card, which pays back 1.5 percent if you pay the bill within 10 days. Depending on where in the billing cycle you charge a purchase, the terms could be 1.5 percent, 40 days.

Industry guru Alan Friedman (that's him over on page 34), says a 2-percent 10-day discount represents an equivalent annual return of 72 percent. Using a credit card for recurring expenses

### ONE WORD: PLASTIC

More cards that can work for businesses

- **The Amex Costco Business card, free with a membership, pays 4 percent on gas and 2 percent on travel.**
- **The Chase Ink card pays 5 percent on office supplies, Internet service, land lines and cellular service, and 2 percent on restaurants and gas.**
- **US Bank Cash+ pays back 5 percent on restaurants and 2 percent on other categories.**
- **Chase Freedom, Discover, Bank of America Rewards and CitiAdvantage all have rotating 5 percent offers on gas, movies, department stores and online purchases.**

also saves time and the cost of writing and mailing checks. Yes, minimize the cost when you are taking a credit card — but maximize the benefit when you are using one. A medium-sized music store could generate \$3,000 a year by judiciously using the right card at the right time.

#### 6. CREDIT CARDS, PART III

Big banks offer their best credit card customers 0 percent, 12-month cash advances for a one-time fee of 2 to 5 percent. This is a very cheap and easy way to borrow money — but there is a trick to it.

Credit card companies charge interest with very clever formulas, so once you take an advance, other purchases made with that card incur high-rate interest from day one. Therefore, once you make a cash advance at 0 percent, put the card away, or go online every week to pay the current charges plus the minimum payment.

Disclaimer: Only use these credit card strategies if you have the discipline to pay the cards on time, every cycle, to avoid all finance charges.

#### 7. WORKERS COMPENSATION INSURANCE

W/CI isn't really insurance. It is a tax disguised as insurance. Rates are set by statute in each state and are expensive. NAMM has a partner who can get you a rebate of the premium based on their group loss experience ([wcpolicy.com/namm](http://wcpolicy.com/namm)). Where you can really save is in scrutinizing your job classifications. Make sure every employee is in the lowest cost job classification.

Exempting yourself and other officers is something you will want to consider carefully; that's where you can achieve the biggest savings. It was fine for us, though it may not be right for everyone. State laws vary here.

#### 8. INSURANCE

Once you have entered the unpleasant world of insurance policy review, take a look at all your policies and eliminate any coverage you are not legally required to have or can live without. If you haven't changed agencies in the last three years, have a fresh pair of eyes review your coverage. The new guy will

always find ways to save.

#### 9. PAYROLL SERVICE

If you are doing payroll the old-fashioned way, it is time to change. Payroll service is inexpensive and efficient, and they can seamlessly handle WCI, 401k and other benefits that might have been too much trouble otherwise. Even if you only have three employees it is worth the small cost. We have used ADP, but are now very happy with Paychex ([paychex.com](http://paychex.com)).

**And finally, something to think about for the future:**

#### 10. OBAMACARE

It doesn't matter which side of the ideological divide you are on. Put political consideration aside and give this a long, hard look. There are significant subsidies for small business and individuals. Don't dismiss it until you have actually logged on and investigated.

#### \* BE RESOLVED

If there was a single way to shave \$20,000 from your annual expenses, you would have found it by now. But find 10 ways to save \$200 per month and the result is the same. Items 1 - 9 above would generate \$24,600 in savings for the average music store.

The best way to find those little savings is to look closely at recurring bills, find ways to get little bonuses and most important, look at every invoice yourself for 90 days. Challenge every fee and trim every expense, at least a little. This time next year, you can start the process all over again. **MI**

Greg Billings whispers to customers at the Steinway Piano Gallery in Naples, Fla. He will be speaking about cost-cutting at NAMM U on Jan. 24.