



10 WAYS TO INCREASE YOUR PROFIT BY REDUCING EXPENSES

Figure out where to reduce funding, where to allocate more money, and where to cut spending completely.

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Introduction



There is definitely more than one way to increase profit, but a lot of businesses are too focused on the sales aspect. Although banking sales or selling your goods or services at a higher price are both surefire ways to increase your revenue, they are not the only ways to improve the profitability of your business. One effective but often overlooked way of increasing a company's profitability is reducing expenses.

Why You Need to Reduce Costs

Many business owners, managers, and supervisors operate under the misconception that reducing expenses in the company will lead to poorer quality products and services or inefficiency in the workplace. Worse still, some people believe that cost-cutting is a sign that a business is rapidly losing money or is on its way to going under. Sure, these things are true for some businesses, but cost reduction, when implemented carefully, is actually an excellent way to improve your profitability and scale your business. It's also something that should constantly be part of your business strategy whether your business is booming or otherwise. Reducing your business expenses by even the smallest percentage can make a massive change in your company's profitability.

The higher your profit margin is, the better your chances of scaling your business faster.

Knowing how to reduce operating expenses in business and creating an effective cost reduction plan also allows you to see and resolve any money leaks as soon as possible. By making sure that there are no unnecessary expenses in your company, you will be able to put your resources to better use such as investing in software that will improve your employees' efficiency or hiring much-needed help to speed up your business growth.

Types of Business Costs

When you're looking for new ways about how to cut cost in a company or how to reduce costs in the workplace, it's essential to learn about the different types of business costs as well. Understanding where your money is going will help you figure out where to reduce funding, where to allocate more money, and where to cut spending completely. When doing cost accounting, here are the different types of costs you need to consider. (Source: Investopedia)



Direct Costs - costs directly related to the production of a good or service (e.g. materials, labor)

Indirect Costs - costs needed to run your business but aren't necessarily directly connected to production costs (e.g. electricity used in your factory)

Fixed Costs - costs that are not affected by production variables (e.g. annual cost to rent equipment)

Variable Costs - depends on the level of production or output (e.g. product packaging)

Operating Costs - costs associated with the day-to-day operations of your company (e.g. utilities, office space rent, office supplies)

Sunk Costs - costs that have already been incurred and are unrecoverable

Controllable Costs - costs that you can easily increase or decrease (e.g. payroll, supplies)

With these basic types of business costs to serve as your guideline, you can thoroughly comb through your expenses and sort them according to each type. With a clearer picture of your spending, you'll be better equipped to formulate a cost reduction plan that will improve your profitability without sacrificing product or service quality or company efficiency.

1. Reduce operating hours
2. Shop around
3. Negotiate, negotiate, negotiate
4. Automate
5. Go paperless
6. Outsource to a VA
7. Incentives vs pay raise
8. Reduce waste
9. Don't always buy bulk
10. Share resources

10 Ways to Increase Your Profit by Reducing Expenses

Ready to proceed with the cost reduction tips? Here are ten excellent ways to reduce your business expenses and consequently increase your company's profit.

1. Reduce your business operating hours.

Can you run your business on fewer days a week? Can you reduce the number of hours when your store is open? Reducing your operating hours can help you save on operating costs and payroll. Many restaurants and stores have already started closing shop on their slowest days of the week to reduce costs. You can also use these days to strategize and improve certain aspects of your business. If your business mainly involves running an office, you can reduce the number of hours your employees are working in many different ways too. You can decrease their hours from the typical eight to around six hours a day. This will help you save on utilities and payroll. You can also encourage them to work from home a couple of days a week. Making these changes can also encourage employee efficiency because they will be forced to make better use of their time.

2. Shop around for business software, service providers, and suppliers.

Don't settle for the first software, service provider, or supplier you find. Make sure to shop around and compare the pros and cons of each of your options, especially if you're planning to stick with them long-term. For software, you can sign up for a free trial period to ensure that you're getting the most value and that you're going to choose one that fits your needs to a tee.

3. Negotiate, negotiate, negotiate.

In business, very few things have fixed prices. When you're dealing with suppliers and service providers, it's very important to negotiate for the best price. Remember, your suppliers will never sell their products or services at a loss, but they can reduce the initial cost offered to you. This might mean reducing their profit margin but securing a sale.

4. Automate administrative work.

All companies deal with administrative work. From answering communication to filing and data management, there are tons of typical admin tasks that can be automated now. Technology has evolved in such a way that lots of mundane, repetitive work can be done by a machine in less time and with more accuracy. From chatbots to automated cloud backups, there are plenty of automations you can explore that will reduce the time and money you spend on admin work.

5. Go paperless.

Aside from helping save the environment and reducing clutter in the office, going paperless also allows you to reduce your company's expenses. By going paperless, you will spend less on paper and printing — and even storage space. Going paperless also includes sending less snail mail. This means that you'll be saving on postage too.

6. Outsource some tasks to a virtual assistant.

Outsourcing tasks to a virtual assistant, specifically to virtual assistants from overseas, is a proven way of getting things done while keeping labor costs to a minimum. The internet has allowed people to work seamlessly with other people from across the globe, and it's time you take advantage of this to help you grow your business and reduce costs at the same time. You can hire a virtual staff to answer your emails, cold call leads, manage your calendar, manage your eCommerce business, design your website, write content for you, and so on and so forth — the possibilities are practically limitless. Not sure where to start? Here's a helpful article on the [5 Virtual Assistants You Need to Hire to Scale Your Business](#).

7. Offer incentives instead of pay raises.

With how stressful the modern world has become, work-life balance is becoming increasingly important to workers. You can take advantage of this shift in priorities by offering more incentives instead of a higher pay to your employees. More holidays and flexible work hours are some perks that will endear you to your employees.

8. Reduce business waste.

Business waste comes in many forms, and it's important for you to identify all of them if you want to reduce them. Business waste can mean lots of unnecessary papers and documents, plenty of wasted materials in the production line, indiscriminate use of electricity and other utilities, poor use of office space, and so on and so forth. To avoid wasting a lot of your resources and money, you need to streamline your processes and monitor how your employees are spending your company's resources. Pinpointing the misuse of resources will help you come up with a solution for reducing business waste.

9. Purchase in bulk only when necessary.

Lots of companies love to buy materials and other things in bulk because of the lower prices. However, bulk buying can actually lead to more wasted money. If you purchase too much, you might end up paying more for storage or worse, throwing out materials that aren't usable anymore after some time. Carefully choose which things to buy in bulk and make sure that you're not overstocking your inventory.

10. Share resources with other businesses.

Sharing resources with other businesses allows you to split the cost and allocate your resources to other things. There are plenty of things you can share. If you're renting machinery, you can find another business in need of the same machinery and split the rental cost along with the hours of use for the equipment. After all, you're unlikely to be producing 24 hours a day. You can also share office space with other companies to save on your office lease or even rent out unused space as hot desks to recoup some of the rent you've paid for your office. You can even split the cost of office supplies and utilities with other companies. The key thing here is to find a business who is trustworthy and in the same position as you.

Ready to hire a virtual assistant? [Schedule a FREE, no-obligation consultation call today!](#)



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