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Six ways for small-business owners to save money

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By **Marty Orge**

SAN FRANCISCO (MarketWatch) -- In these tough economic times, owners of businesses small and large are coming up with unexpected ways to save money.

The University of Wisconsin at Green Bay said it will save \$10,000 annually by changing its font type. The university switched from Arial to Century Gothic because Century Gothic font doesn't use as much ink when printed, according to an Associated Press report.

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In these days of economizing, changing your font style is an innovative way to cut costs. Here are six other ways to save money without drastically changing your business practices.

1. Move paper forms online

Another educational institution said it, too, is saving \$10,000 annually -- by switching from paper forms to online e-forms.

"We use tens of thousands of forms in all sorts of applications," said Al Foytek, director of business information systems for the Visalia Unified School District in California.

"The money we save using electronic forms like those from software maker PerfectForms can easily cover the cost to automate our whole processing procedure," Foytek said. "For example, our print shop uses a paper form which costs us about 75 cents each and we have around 15,000 requests that require other, specific forms each year."

2. Take it to City Hall

Negotiating with City Hall is another key way to save, said Amy Handlin, deputy minority leader of the New Jersey General Assembly and associate professor of marketing at Monmouth University in New Jersey. The state legislator also wrote the new book, "Be Your Own Lobbyist."

Handlin said lobbying local and state government is the most cost-effective way to fix a small-business problem.

For example, she said, a city inspector told the owner of a bakery in Salt Lake City that the business would be shut down unless the owner spent \$40,000 to install a grease trap in the street. With skillful lobbying, the bakery owner was permitted to place a grease trap in her own kitchen at minimal cost, with the understanding that it would be accessible for monitoring by the city.

Then there's the group of small-business owners who went before the Massachusetts Public Health Department, Handlin said. New frozen-food regulations required businesses to buy refrigerated trucks that cost \$50,000. At a public hearing, the business owners argued for cheaper alternatives. The state agreed, allowing the affected companies to transport goods any way they wanted as long as they maintained safe temperatures.

"Lobbying the right people with the right message is precisely the way to speed things up," Handlin said.

3. Speed up the payment cycle

Another way to save money: decrease your payment terms. While 30-day-net and 60-day-net are the normal time periods small-business owners give clients to pay invoices, changing those terms can save money, said John Reddish, president of Philadelphia, Penn.-based Advent Management International Ltd.

"Shorter turnaround times can result in lower borrowing costs for money for operating capital," Reddish said. "A faster turnaround on payments cuts the interest small-business owners have to pay."

Reddish said one stamping company client changed the due date for billing to "net 15" and cash flow improved by 31%. For many small businesses, he said, 30-days-net translates into payment up to 63 days later by the time the client actually cuts a check. Making payments due net 15 translates into payment in 48 days -- a 31% improvement in cash flow.



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By Marty Orgel

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There is a downside to this practice, Reddish said. If a customer challenges the change in terms, "you either back off or risk losing business." But if the client is happy with the services or goods the business owner is providing, changes in terms often slide right through.

4. Sell global, ship local

Shipping costs often are a major expense for both online and brick-and-mortar small-business owners. The cost of fulfillment can make or break a small company. That's a problem that Shipwire Inc of Palo Alto, Calif., is leveraging. The company offers worldwide shipping at local-country rates, saving customers thousands of dollars in international shipments.

Shipwire has six warehouses in three countries where it stores inventory for small businesses, and works with 15 carriers and freight systems. Pay-as-you-go pricing plans start at \$30 a month. And small-business owners can scale-up as business grows.

"Many companies save \$30,000 a year with our services," said Nate Gilmore, Shipwire's vice president of marketing.

The savings come when businesses can charge customers local shipping rates instead of international rates. For instance, Gilmore said, a San Francisco-based software company can use a Shipwire warehouse in London to deliver an order in Manchester and pay only local U.K. shipping rates.

5. Perfect the art of the deal

With the U.S. Air Force spending billions of dollars a year on outsourcing, researchers at the University of Tennessee felt there probably was room for significant savings.

"The Air Force spends \$34 billion on outsourced services a year, and is always trying to find better ways to save taxpayers' money," said Kate Vitasek with the Center for Executive Education at the University of Tennessee.

Vitasek said that using "vested outsourcing," an idea developed by the university, the Air Force saved \$79 million on an engine maintenance program for the F/A 18 Hornet.

What is vested outsourcing? It's the process of negotiating contracts with vendors so that they earn more when they meet all the terms of the contract, and they are penalized when they don't. A vested outsourcing agreement will cut hidden contract costs and only pay the vendor if and when that vendor successfully lives up to the terms of the contract.

Vitasek said Microsoft Corp. (MSFT 23.22, +0.06, +0.26%) used vested outsourcing principles with the technology consultancy firm Accenture PLC (ACN 38.02, -0.26, -0.68%). The 7-year contract is valued at \$185 million and "they have cut the costs 35%," or almost \$65 million, she said.

The University of Tennessee studied only very large companies, but Vitasek said all companies, from mom-and-pop markets to multi-billion dollar institutions, can benefit from vested outsourcing.

6. Pull in some free advertising

Bert Martinez of Bert Martinez Communications LLC in Houston, Texas, has a unique take on guerilla marketing. He said small-business owners can reap large rewards by scouring local yellow pages and business directories.

"Call the phone numbers in your competitors' ads," he said. "You will always find several ads that have disconnected numbers. Then surf competitors' websites and find any that are out of business."

Then, contact the telephone company and the website domain name registrar. When possible, buy your competitors' website names and take over their telephone numbers. The phone company and domain registrars can assign those disconnected numbers to your main number, and the websites can be redirected to your site.

"Voila," Martinez said. "You're now receiving tons of new yellow-page advertising and web traffic!"

Marty Orgel is a freelance writer in the San Francisco Bay Area.

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