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SPENDING SMART

Bottom line: Penny-pinching helps

BY GREGORY KARP, a personal finance writer for The Morning Call, a Tribune Co. newspaper in Allentown, Pa

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In many American households personal and business spending are intertwined. So smart spending on your small business can mean more dollars falling to your household's bottom line.

Whether it's full-time home-based businesses, part-time eBay businesses, Internet storefronts or occasional freelancing, millions of Americans have business-related spending. Of the 25 million firms in the United States nearly 20 million have no employees besides the owner, according to the Census Bureau.

One key to small-business success is to be a penny pincher, said Gene Marks, author of several books, including the "Streetwise Small Business Book of Lists: Hundreds of Lists to Help You Reduce Costs, Increase Revenues and Boost Your Profits."

"A really good penny pincher is not a cheapskate. It is someone who is looking for the biggest bang for their buck," he said. "On days when business is slow you can still earn yourself money by looking at what you're spending. The mind-set is that keeping track of your expenses is a real drudge. But it can be as challenging and important as building your sales. In the end, net profits are what you care about."

Like household spending, small-business spending can encompass many products and services, which differ depending on the business. Here are ways to cut spending in your side business, home-based business or small business with a few employees.

- Telecommunications.

Wireless and land-line phone services and Internet access are fundamental to many small businesses.

There's no substitute for frequent comparison-shopping, because offerings and pricing change often. Read small-business publications for information on new telecom services. Marks gives the example of FreeConferenceCall.com. It offers an unlimited number of conference calls for up to six hours and 96 participants. As the name implies, the basic service is free, although long-distance phone charges apply.

- Technology.

One example of technology spending is working remotely. GoToMyPC.com, for example, is a popular and effective service that allows access to your office computer from any Web browser. While that service is reasonably priced at about \$20 per month, LogMeIn.com offers a similar basic service for free, Marks said. It offers more advanced features, such as transferring files among computers and remote printing, for a monthly fee. Other examples of potential savings are re-manufactured printer cartridges and obtaining computing hardware deals in the classifieds or on Craigslist.com.

- Used items.

The more you can cash-flow your purchases and avoid borrowing, the better. That often means buying used. Office furniture is a good example. Marks also buys cheap used laptops because so much of his information is available via the Internet. He doesn't need a powerful computer, just one that can go online and run a Web browser. But heavily used items, such as business printers, might be best purchased new, he said.

- Inventory.

If you sell a product, ideally you would take orders and have them shipped directly from the manufacturer. But if you maintain inventory, keep it as limited as possible. "People need to be going around and getting rid of stuff," Marks said. "It really does cost more to carry some inventory than to scrap it. You have to be aggressive about that."

- Outsourcing.

Marks, who also is author of the "The Complete Idiot's Guide to Successful Outsourcing," said he always uses a travel agent for booking trips. "It's possible I could save a few bucks by doing it myself online. But they get paid for what they do, they do it well and they free me up to do other stuff," he said. "Outsourcing has gotten such a bad name attached to it. ... Penny-pinching business owners make full use of outsourcing whenever they can."

Bookkeeping and accounting, payroll services and telemarketing are examples of commonly outsourced services. Professional tax preparation and advice can help a small-business owner capitalize on one of the great benefits of owning a home-based business -- writing off household expenses, including your rent or mortgage interest and utilities. "Outsourcing reduces need for space, reduces overhead and keeps you flexible," Marks said.

- Haggling.

Sometimes the only way you'll get a discount is to ask for one. Negotiating is worthwhile, even if you don't end up with giant savings. Marks said he equates his business savings to Chinese-food dinners. A good dinner out with his wife at a Chinese restaurant costs about \$50, he said. So, every time he can save a few hundred dollars, he can measure it in Chinese dinners, which for him makes the savings more real.

"When you're a business owner, it goes straight to the bottom line," he said. "That stuff really does add up."

For example, haggling to pay \$130 an hour instead of \$140 an hour for a service might not seem worthwhile until you realize you'll need 40 hours of the service. That's savings of \$400 -- eight Chinese dinners.

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For additional discussion on spending wisely, see the Spending Smart blog at <http://blogs.mcall.com/spendingsmart>.

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