



Because everyone needs a back-up plan

The practical guide to cutting small business costs

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10 strategies for cutting costs

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⇒ We take a look at some of the innovative ways other companies are cutting their costs.

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Cost predictability

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- Pensions
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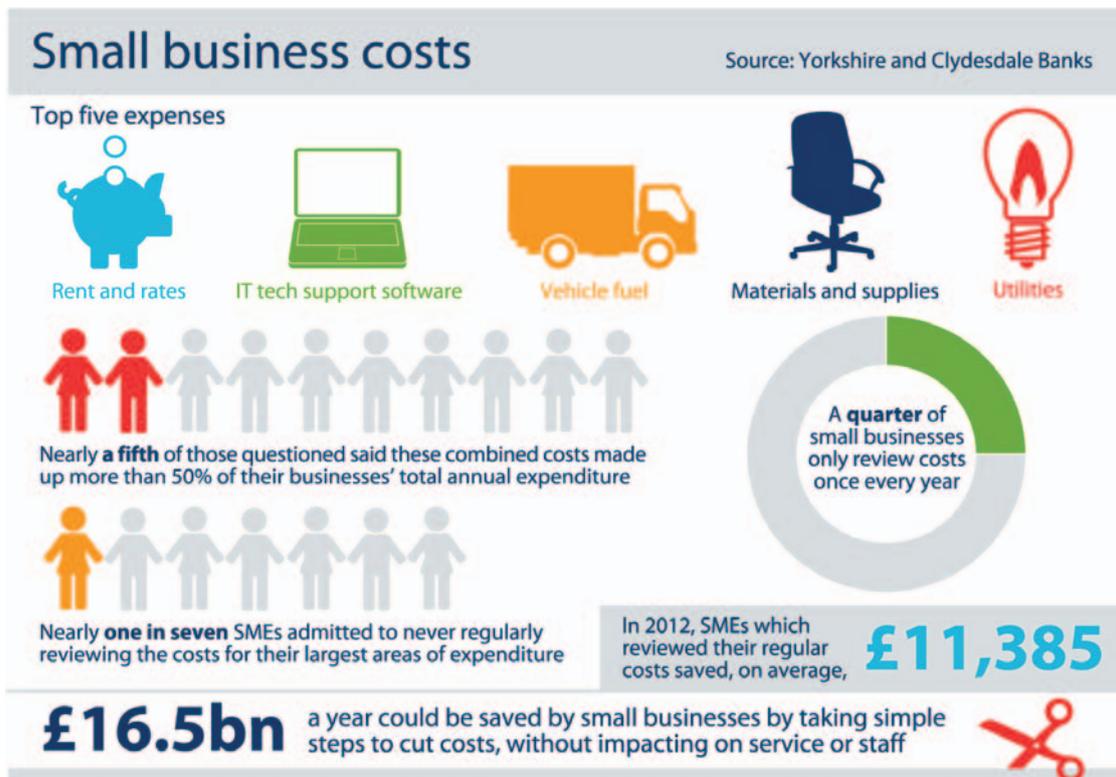


Why cut business costs?

Trying to cut back small business costs might seem like a huge headache, but thanks to technology, green solutions and innovative thinking it can actually be a painless process.

Over the following pages we'll be looking at some of the ways small businesses can save some cash, without compromising on growth. Some are simple changes which will take five minutes to implement, while others may require you to invest a bit of your time.

Whether you're looking for quick ways to save a couple of quid each month or need to slash thousands off your annual outgoings, there should be something for you.



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Because everyone needs a back-up plan

10 strategies for cutting costs

Examples of the areas businesses can look at to help lower their outgoings.

In this section we've provided examples of where you can find some of the services we mention. Plenty of other businesses offer similar services, so always do your homework to make sure you get the right service for you and your company.

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#1 Going Green

By being more environmentally friendly businesses can up their eco credentials as well as reducing their spending.

Typical energy bills for UK businesses add up to a whopping £2,600 a year, but this could be considerably lowered by making a few simple changes. Businesses also create a lot of unnecessary waste, and taking steps to curb this could boost their bottom line as well as their carbon footprint.



Things to try

➔ Turn off your computer at the end of the day. It costs around £50 a year to have one computer on for 24 hours - you can more than halve this by flicking the off switch at 5pm.

➔ Sometimes you have to speculate to accumulate and while insulating your office space may require some initial investment, it will soon pay for itself by slashing your gas and electricity bills.

➔ Workers print 6,000 sheets a year, of which 3,720 are wasted. Make sure you have a clear printing policy in place and encourage staff to read documents online, or turn your default printer and photocopier settings to double-sided.



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#2 Technological treats

Making best use of the latest technological advances is a great way to cut down on costs.

Using the latest gadgets and gizmos can help you save thousands of pounds a year by working smarter and more efficiently.

Things to try

⇒ Storing information in the **cloud** is much more cost efficient than using an in-house data centre. There's no need to make an upfront investment in servers and hardware, energy bills will be much lower and you only need to pay for the storage space you are using at any given time.

⇒ Travelling to and from meetings is costly and takes up valuable time, but now staff can chat to clients and colleagues at other bases via **videoconference** without ever leaving the office. If you use Skype or Apple's Facetime you don't even have to pay for the cost of the call.

⇒ Gadgets such as laptops, smartphones and tablets mean staff can work anywhere, at any time. Encouraging staff to **work from home** means you can cut down on energy consumption in the office.



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#3 Go compare

In our personal lives we are always told to shop around to get the best deal on insurance and utilities, and the same is true for businesses.

However, it seems many are not taking advantage of this, with figures from uSwitch showing **just a third of businesses proactively check the market before signing their next energy contract**, while three in ten simply allow their existing energy contract to roll-over.

Things to try

⇒ Mark the end dates of all your contracts on your calendar, with a reminder to **compare prices** a month before so you don't get locked into a new deal.

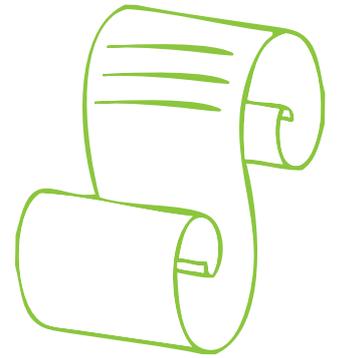
⇒ Make sure you are aware of your **notice periods**. It's normally between 28 and 120 days, but if you miss it then your contract will automatically roll-over.

⇒ **Small suppliers** often offer good rates, but businesses are sceptical of them. However, uSwitch says just go with it. Even if they do go out of business, you'll still get your supply and be looked after by the industry regulator.



#4 Taxing matters

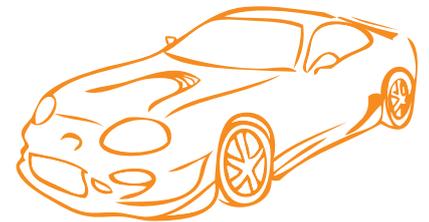
Taxes are one of the few things in life you can be certain about, and while we can't give you any advice that will make them disappear, there are a number of ways you can **slash your tax bill significantly**.



It is often worth seeking advice from an accountant. They may seem expensive upfront, but hopefully they'll more than cover their fees by helping you cut your taxes.

Things to try

➡ When choosing **company cars**, it can pay to go for a greener model. You can claim 100% capital allowances for cars which have CO2 emissions of 120g/km or less.



➡ Many start-ups begin life in someone's spare bedroom, and if you still use a room at home for business purposes then you may **qualify for some deductions**. [HMRC's website has a section on tax allowances and reliefs.](#)

➡ If you are buying energy or water saving equipment for your office, then not only will it help slash your energy bills, you'll also qualify for **100% tax allowances**.

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#5 Be social

Marketing is a huge business expense, but it's not one that companies can afford to cut altogether. After all, without marketing, how will you attract new customers?

Luckily, there are a number of tools available which can help businesses engage with existing and potential clients, without breaking the bank.



Things to try

⇒ Social media sites such as Twitter and Facebook are a great way to communicate with consumers. They both have millions of users and are free to sign up to. However, you do have to be willing to invest time in providing your followers with useful, engaging content.

⇒ Do you know the sector your business operates in like the back of your hand? Then share your expertise with others by making public appearances or writing blog posts. You'll get lots of free exposure.

⇒ Sending coupons and special offers via direct mail has long been a trusty marketing tactic. To save on stamps, send communications out via email instead. Free email marketing services such as [MailChimp](#) can help you craft the perfect template.



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#6 Travel economy

Business is now done on a global scale. You might have suppliers in Europe, customers in the US and staff based in Asia, *all of whom you need to keep in regular contact with.*



However, jetting from country to country or even just across the UK soon becomes expensive, especially with rising fuel costs.

Things to try

➔ While meeting face-to-face is important in some instances, in others *video or teleconferencing* is fine.

➔ If you need to travel by public transport then remember, *book as far in advance as you can* to get the best rates. Think carefully about the time you need to travel and avoid peak times. It may even be cheaper to travel the night before and stay over rather than getting an early morning commuter train.

➔ If you have a *set company policy for business travel* you'll be able to keep a tighter control of spending. State that all tickets must be booked by a specified person, or that all trips over a certain amount should be signed off by a manager.

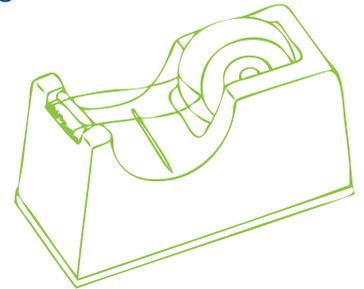


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#7 Bargain hunt

Even small businesses spend thousands of pounds each year on supplies and equipment. Whether it's stationery, hardware, furniture, business cards or software, there's always something on the 'to buy' list. However, **with a bit of savvy shopping, you can pick up items for a fraction of the price.**



Things to try

➡ There are freebies available online if you know where to look. Business software licenses can put a huge strain on budgets, however, you could cut these costs completely by making use of the wealth of **free software** that's available to download. Accountancy options include [TurboCash](#) while [Zoho](#) offers help with customer relationship management. You can also pick up free business cards from a number of websites if you order sample packs in smaller sizes. [Moo.com](#) offers 50 free cards with £3 P&P and EasyPrint offers 250 cards at no cost.

➡ Ask suppliers if you are eligible for a **discount** if you buy in bulk or pay in cash. Times are tight for everyone and many companies are happy to cut you a deal in return for repeat business. If you don't ask you don't get.

➡ The number of businesses which close their doors every day means there is always **second-hand** office furniture and equipment available at bargain prices. Check eBay and Gumtree regularly.

➡ SMEs are missing big cost-savings by not securing good deals on office and janitorial supplies such as paper and toilet roll. You could investigate joining a **small business consortium** for supplies purchases and potentially save a lot of money.

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#8 Payment plan

Many small businesses suffer because they receive payments late, which in turn affects their cashflow. It can mean they can't pay their own bills and incur fines as a result.

Being on top of all your outgoings and incoming payments helps ensure that your business remains cash-healthy.



Things to try

⇒ Make use of free invoicing tools such as [Curdbee](#) and [Invoice Machine](#) to help you keep a firm grip on your incoming payments. For a comprehensive list of free invoicing tools, [take a look at Mashable's excellent blog post](#).

⇒ Set up [standing orders](#) for your bills where possible, that way you know you aren't at risk of a late fee.

⇒ If some customers are always late with their payments, consider whether it's worth your time and effort to keep selling to them. When you take into account the time you spend chasing them up, [are they actually profitable?](#)

⇒ Check all invoices thoroughly before paying to ensure you aren't being [over-charged](#). Similarly, follow purchase order requirements carefully to ensure your own invoices are paid on time.

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#9 Involve employees

Your workers can be a huge asset in helping you cut costs if you get them involved.

By changing the ways in which you work and making use of the skills at your disposal you can make sure that your business is *running to maximum efficiency*.

Things to try

⇒ Taking on interns to help you cope during busy periods means you don't have all the costs associated with hiring a full-time member of staff. Plus you are giving someone the chance to gain valuable workplace experience.

⇒ When valuable staff are on holiday it can lower other employees' morale if they are stuck with lots of extra work they don't know how to do, which can in turn affect productivity. By cross-training staff so they are able to do essential parts of their colleagues' jobs, you can cut down on the costs associated with absence. You may also want to create a staff holiday planner to help you cope with reduced staff.

⇒ Outsourcing certain functions like HR and IT can save businesses both time and money. It means small companies don't have to set up their own departments, where staff may be left twiddling their thumbs most of the time! There are also free, online web based HR systems like Natural HR on offer, although if using such services it's important to do a full review to check they are suitable for your business before committing.

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#10 Space savers

Rent and rates are typically a business's biggest expenses. If you want a large office with mod cons then unfortunately you have to pay rather a lot for it. If moving to a smaller space isn't appealing, you could try one of these tactics instead.

Things to try

⇒ Thanks to technology it's easier than ever for staff to work remotely. Set up hotdesks which people can use as and when they need rather than having allocated spaces for everyone.

⇒ Many businesses pay a premium for a city centre location, but do you actually need to be there? If you rarely hold meetings at the office you may be better off slightly outside the centre, or on a business park, where rents are cheaper.

⇒ If you want the prestige which comes with a fancy address, but not the high monthly payments, why not look into a virtual office? Providers such as [Regus](#) offer features such as a corporate mailing address, reception services and conference rooms without the high rent and utility costs.

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Because everyone needs a back-up plan

Five-minute changes

Some cost-cutting ideas require you to invest a bit of time in setting them up. If you are looking to save minutes as well as pounds, why not try some of these quick money-saving tips?

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10 quick ways to save money

No. 1 - Turn off the lights as you leave the office each night.

No. 2 - Turn the heating down by one degree - it could slash your heating bills by 10%.

No. 3 - Don't overfill the kettle when making a brew - boiling too much water adds £20 a year to your bills

No. 4 - When you change lightbulbs, use an energy efficient one instead. It saves up to £100 over the bulb's lifetime.

No. 5 - Sign up for free business directory listings online like Bizify and FreeIndex - a cheap way to get your name out there.

No. 6 - Set your printer to draft mode to save ink.

No. 7 - Don't leave appliances on standby - a photocopier left on overnight wastes enough energy to print 1,500 A4 copies.

No. 8 - Check your business account - if your account goes overdrawn you can face hefty fees. Thanks to online banking you can check it anytime, anywhere.



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No. 9 - Put a donations jar by the printer and ask staff to put 5p in if they use it for personal reasons.



No. 10 - Email invoices rather than popping them in the post. (This one should actually save you time as well as money!).

Small changes, big savings

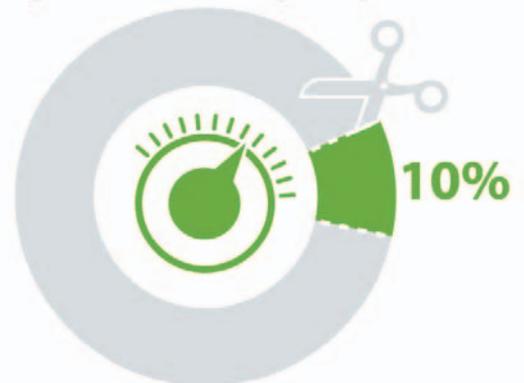
Money saving tips



Using an energy efficient lightbulb saves up to **£100** over the bulb's lifetime

save **£100**

Turning the heating down by **one degree** could cut heating bills by **10%**



x10
A photocopier left on overnight wastes enough energy to print **1,500** A4 copies



Overfilling the kettle to make a cup of tea can add **£20** a year to energy bills

save **£20** a year



Office lights left on overnight use enough energy in a year to heat a home for almost **5 months**



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What are other companies doing?

Using suggestions sent to us on Twitter and case studies, we look at how other companies are saving money...

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Many companies, big and small, are taking action to cut costs. Why not follow in their footsteps?

Santander...

tackled business travel costs by appointing a travel management company and saved a massive £538,000 in the first three months.

@WalderWit...

recommends Skype to anyone thinking about expanding overseas. You can chat to anyone, anywhere in the world without spending a penny.

Government...

Last year the government saved £500,000 by boosting its online presence and making sure most of its services are available online.



Yorkshire Cancer Research...

has cut back on office costs by 10% by linking up with business buying group YorBuy.

Npower...

helped Baginton Village Stores cut their energy costs through steps such as monitoring lighting and voltage optimisation.

@InCloudSolns...

got in touch with us via Twitter to suggest that businesses switch to the cloud to cut down on IT costs.

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Because everyone needs a back-up plan

Creating a cost-cutting culture

You've decided you need to cut costs,
but now you need to get your staff
on side...

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If you're trying to save some cash, you need to get your staff on side. After all, there's no point you scrimping and saving if your staff are then leaving their computers on all night or travelling first class across the UK for meetings.

Here are a few tips for creating a cost-cutting culture in your workplace:

Be open and honest

➡ Be open and honest about why you are going to be cutting costs and how you are going to go about it. If you just start scrutinising people's spending and lecturing staff about saving money out of the blue you are likely to start rumours that the company is in financial trouble and create panic among employees.

Ask for help

➡ Your employees may have some great ideas about how you can save money so make sure you ask for their input. If it was their idea to turn their computers off each night or only print essentials, they are much more likely to actually do it.



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Make it clear what people need to do

⇒ If you have brought in new procedures to help with the money saving effort, for example, having a manager sign off all travel before tickets are booked, make it clear exactly what is expected of employees.

Have a staff meeting to discuss new policies, explaining why they are being brought in. Make sure copies of all policies are stored somewhere staff can access them like the company intranet, or on a noticeboard in a communal area.

Don't nag

⇒ It may be tempting to remind people to turn their computers off or not fill the kettle to the brim, but there's a fine line between reminding people and nagging them. People will often make slip-ups if they are busy with other tasks and if you nag they will start to resent the new cost-cutting regime.

As a subtle reminder, you could put posters up in key places like the kitchen or above the printer. If you want to promote energy saving, the [Carbon Trust has some great posters that you can download for free.](#)

Don't go too far

⇒ While saving money is important, it shouldn't be done at the expense of providing a quality product or service, attracting and retaining the best staff, or protecting your company's reputation. If you take cost-cutting too far you may find your office is no longer a pleasant place to work.



You know you've gone too far when...

Here are a few signs that you may have taken the cost-cutting drive a little too far:

You can't help yourself to a cup of tea...



⇒ Their morning cup of tea or coffee is all that gets some workers through the day. You may save a few pounds by unplugging the kettle and not buying teabags and milk, but the chances are staff morale will take a hit.

The boss is doing entry-level work...

⇒ In tough times, cutting jobs can be a necessity, and it's often entry level positions which are the first to go. But remember, the support work done by such staff still needs to be completed, and senior staff aren't likely to respond well to more admin being squeezed into their schedule.

People think you've closed down...

⇒ Many businesses are slashing marketing budgets, but if you don't advertise, how will you attract customers?

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Because everyone needs a back-up plan

Cost predictability

As well as quick, low cost ways to cut your small business costs, it's also worth thinking about how you can plan ahead to stabilise more potentially volatile areas of your business that may incur large unexpected costs...

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As well as the insurance you're legally obliged to have - like employer's liability insurance if you employ staff - there are other types of insurance that can help you stabilise your costs. You may be glad you had them if lady luck's not on your side...

Of course, it's almost impossible to anticipate all of the costs your business will face. There's always something unexpected which crops up, whether it's equipment which needs replacing or a key staff member going off sick.

This unplanned-for exposure to large unexpected costs could, potentially, be the difference between trading or not. But there are steps you can take to help make sure your accounts stay positive.

Over the next few pages we'll take a look at some of the factors which can affect your cost predictability and how you can plan ahead to help avoid them.

Research by LV Broker¹ found that around 230,000 small business owners have no insurance cover in place, so are not protected against things like liability claims, hefty fines and prosecution.

1 LV Broker research, September 2013

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Pensions

Nearly two-thirds of SMEs have not budgeted for the extra costs which will be incurred as a result of auto enrolment.²

Source: Irwin Mitchell

Under the **auto enrolment scheme**, all companies must automatically enrol staff into a company pension scheme, unless the individual employee chooses to opt out.

Employers must also make a contribution to their employees' retirement fund which will rise from **1%** of the worker's salary to **3%**, so it's worth considering how the cost of contributing to your employees' pensions will affect your bottom line, and making plans to help balance the extra expenditure.

In addition to this, Cebr has estimated that it will **cost British SMEs approximately 103 man days** to make sure their business is ready for auto enrolment², so it's clear that factoring in both time and money is essential.

Plan ahead

There are lots of [great videos and webinars about auto enrolment](#) and Jelf has developed a [series of guides](#) aimed at helping companies navigate the process.

With 51% of SMEs planning to either definitely or probably review the benefits they offer ahead of auto enrolling staff³, it may be a good time to think about reviewing yours. Our [Benefit Balancer tool](#) can help you do this.

² Centre for Economics and Business Research (Cebr), 2013

³ Research by MetLife UK, June 2013

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IT disaster planning

The median cost of downtime for an SMB is £8,000 per day.
Source: Sumantec Disaster Preparedness Survey 2012

The things which affect a business's financial stability the most are always the things which strike out of the blue. If an IT disaster hits – e.g. faulty hardware or software, or something that knocks out your entire IT infrastructure – and your company website or computer system goes down for an unspecified amount of time it can have **huge financial repercussions**.

Not only will you lose valuable working time, you'll also have to spend potentially thousands of pounds on **reputation management** as well as fixing whatever caused the damage in the first place. You may also lose valuable data which affects your ability to run your business as before.

Plan ahead

As well as backing up your data weekly or more often (imagine the chaos it'd cause if you lost all your customers' contact details), you could consider investing in **business continuity solutions**.

Things like standby solutions and data recovery programs come at a cost, but they mean you have a plan in place to keep your business going if disaster does strike.

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Employee sickness

Short-term absence costs businesses an average of £600 per employee, per year⁴.

Employees are a company's most important asset, and if a key member of staff goes on sick leave, for however long, it can have a huge impact.

As well as putting strain on employees who have to pick up their absent colleague's workload, it also raises the question of whether you pay the absent member of staff sick pay.

You're obliged to pay statutory sick pay (currently £86.70pw⁵) for 28 weeks, and in some cases you can claim this back (although this is due to change in April next year). But would you make payments on top of that and what happens after those 28 weeks? In cases of extreme illness and particularly if it's a key member of your staff, it may be a hard decision. If you do offer additional help, you're left with two potential issues:

- 1) finding the extra finances
- 2) how you deal with any future illnesses - if you treat another member of staff differently in the future, you risk potential legal action

More than half (56%) of SMEs would cease trading if they lost one or more key people to illness, long-term incapacity or death, yet just one in six (17%) have insurance to protect against such a loss⁶.

4 CIPD Absence Management Survey, 2012

5 Correct as at 2013/2014

6 Scottish Widows research, 2012

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Plan ahead

Taking out Sick Pay insurance⁷ can help companies by providing:

⇒ **payments to your sick employee** for up to a year, so you don't have to find any extra monies or make awkward decisions around supplementing Statutory Sick Pay

⇒ **a consistent approach to sickness absence**: because the policy is externally moderated, there's no risk of discrimination

⇒ **predictable costs**: set monthly premiums that you can budget for

It can start to pay out after your employee's been absent for just one week and pays up to £6000 per month. All the admin is online so it's simple to make changes and it'll also help you monitor employee absences, identify the main causes and help you spot any issues and trends, so you can intervene.

It may also cost less than you think. **Premiums cost approximately £17 per employee, per month**, so around £200 per year. In comparison, private medical insurance costs around £790 per employee, per year.

7 Details specific to Unum's Sick Pay Insurance product

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HR Assistance

For employers without a dedicated HR function, dealing with things like **employee absence** due to family problems, **health and safety** policies, and **employment contracts** is often a big headache.

It can also mean paying **unexpected legal** fees for having to consult with a legal adviser about employment law, or being an employee down due to them having to take time off for personal reasons.

Plan ahead

An **Employee Assistance Programme (EAP)** can help both you and your employees:

⇒ **For employers:** a legal helpline that provides advice on employment law, commercial law, health and safety and tax issues as well as legal document creation services.

⇒ **For employees:** 24/7 help dealing with any problems they're facing – from debt through to finding childcare – before they start impacting on their ability to concentrate at work.

And with the average annual cost of an EAP for a company of 100 employees at around £14 per person⁸, it needn't break the bank.

It's also worth knowing that the **majority of sick pay insurance and income protection policies** have **EAP embedded** – making them even better value for money!

Note: not all EAPs offer the same services – check before you buy.

⁸ Source: 2013 EAP Market Watch Report, The UK Employee Assistance Professionals Association, July 2013

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Running your own business can be expensive. By making a few small changes it's possible to cut down on costs without causing a massive upheaval to your staff or the day to day running of your business.

It may also be worth considering how you'd cope with the financial after-effects of an unexpected event. Although it means an additional cost, taking out insurance to help protect your business may be well worth it in the long-run and it'll also make your monthly costs more predictable.

If you're thinking of making sick pay insurance – or any other insurance - part of your overall benefits package, it's best to talk to your accountant or financial adviser who can make sure you get the right product for your business and budget.

If you're interested in finding out more about sick pay insurance and how it can help make your costs more predictable, [take a look at the sick pay insurance page on our website](#)

