Cut Expenses without Sacrificing Growth and Quality

The main priority for any business is to gain and maximize profits. The success of a business, regardless of industry or products and services being offered, entails a lot of research, hard work and discipline.

But it’s not easy for small businesses to turn a profit. According to a study by Small Business Trends, less than half of small businesses are profitable, and only 30% break even. As an entrepreneur, it can be tempting to start cutting costs wherever possible.

My last column focused on cutting your overhead. But, as promised, in today’s column I will suggest some areas that you should probably not cut!

There’s nothing wrong with trying to save money, but if you’re not careful, this could negatively impact your business operations.

Keep in mind that cost reduction can put the quality of your products and services at risk. I will share some suggestions from Emily Lazration, Content Marketing Specialist, at CoverWallet, a tech company that makes it easy for businesses to understand, buy and manage commercial insurance online. She is also a content contributor for SCORE. Emily recently gave some great cautions about cutting business expenses. She listed several crucial areas where you should never cut spending:

1. **Data security and privacy**: If you’re handling and maintaining a database of customers’ personal details, like credit card information, you cannot afford to be complacent when it comes to data protection. Remember, cyberattacks can happen at any time, and you don’t want to fall into the trap of believing small businesses are safe from data breaches.

   In fact, cyberattacks on small businesses are on the rise. A report found that 21% of small businesses experienced a data breach within the last two years, which is up from 17% from the year before.

   A single data breach will not only cost you tens of thousands of dollars, but it can also permanently damage your business reputation. To minimize the risk of a
cyberattack, implement data security measures to keep your sensitive information protected. This includes investing in cyber liability insurance, which covers expenses of claims associated with data breaches, such as legal fees from lawsuits.

2. **Human resources:** Your workforce is what keeps your business going, making human resources one of the most crucial aspects of the company. HR takes on a wide range of responsibilities – from making sure that people are qualified for a job to resolving conflicts within the organization – to ensure smooth operations day by day. If you want to keep your employees happy and motivated, avoid cutting the budget of your HR department.

3. **Accounting:** Another area where you should never cut spending is accounting. Accounting involves keeping track of revenue and expenses, creating financial statements, and payroll. Money management is essential in any business. You’ll have a better picture of where the business is going and what areas need improvement if you have an effective accounting team.

As a small business owner, don’t try to handle this all on your own. After all, mistakes in your bookkeeping could lead to incorrect information on your tax returns, and the last thing you want is to face a penalty or audit from the IRS.

4. **Legal resources:** Small business owners should never cut spending on legal resources. Having a lawyer, you can depend on will protect your business assets, especially during challenging times. With a solid legal counsel, you can delegate necessary tasks, like establishing and maintaining a corporate structure and governance, giving you peace of mind and enabling you to focus on growing your business. While legal services can be expensive, keep in mind that many insurance policies, like general liability, can cover expenses associated with a lawsuit such as finding an attorney and legal settlements.

5. **Customer service:** There’s no question about it: customers who have a positive experience are likely to remain loyal buyers while those who have a negative experience are likely to turn to a competitor.

In fact, one survey found that a shopper is four more times more likely to go elsewhere if they experience a customer service-related issue. And, it’s in your best interest to retain as many customers as possible since it will cost you up to seven times more to attract new clients. Therefore, it will help your business’ bottom line in the long run if you invest in creating the best customer experience possible.

6. **Marketing strategies:** A vital part of any successful business is marketing, it’s a necessary strategy you need to invest in to attract new customers and keep your
existing clients. After all, how can someone buy your product or service if they don’t know about it?

The key takeaway for cutting is this, says Lazration, “Keeping costs down is essential to maximizing revenue and sticking to your business budget, but it doesn't mean that you should cut spending wherever you can. Remember, cutting back on all your spending might save you in the short term, but could cause damage in the long run. The key is to be mindful of the different areas of your business where you can cut expenses without sacrificing growth and quality.”

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