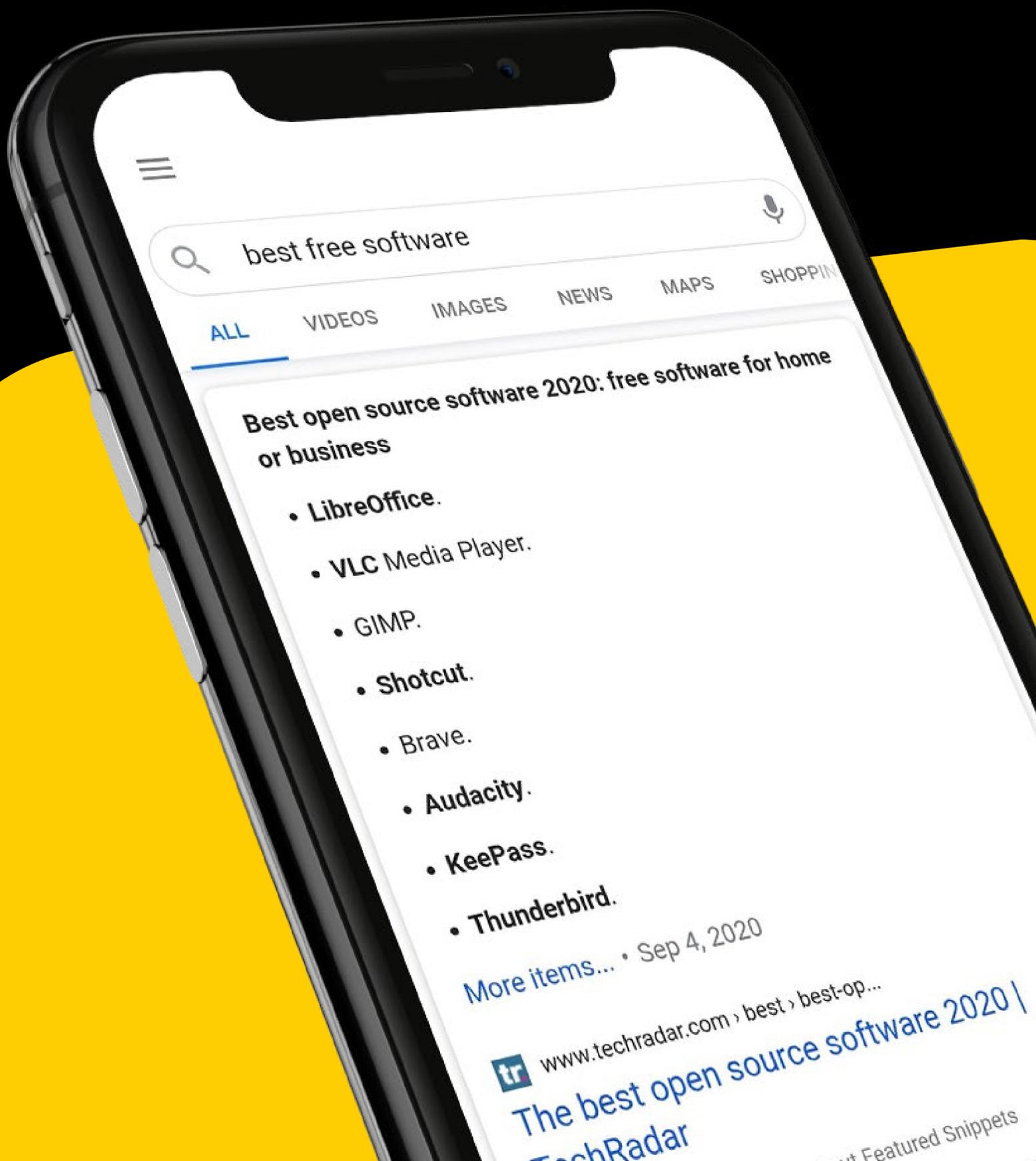


20 Ways to Cut Costs in 2021

 iKhokha

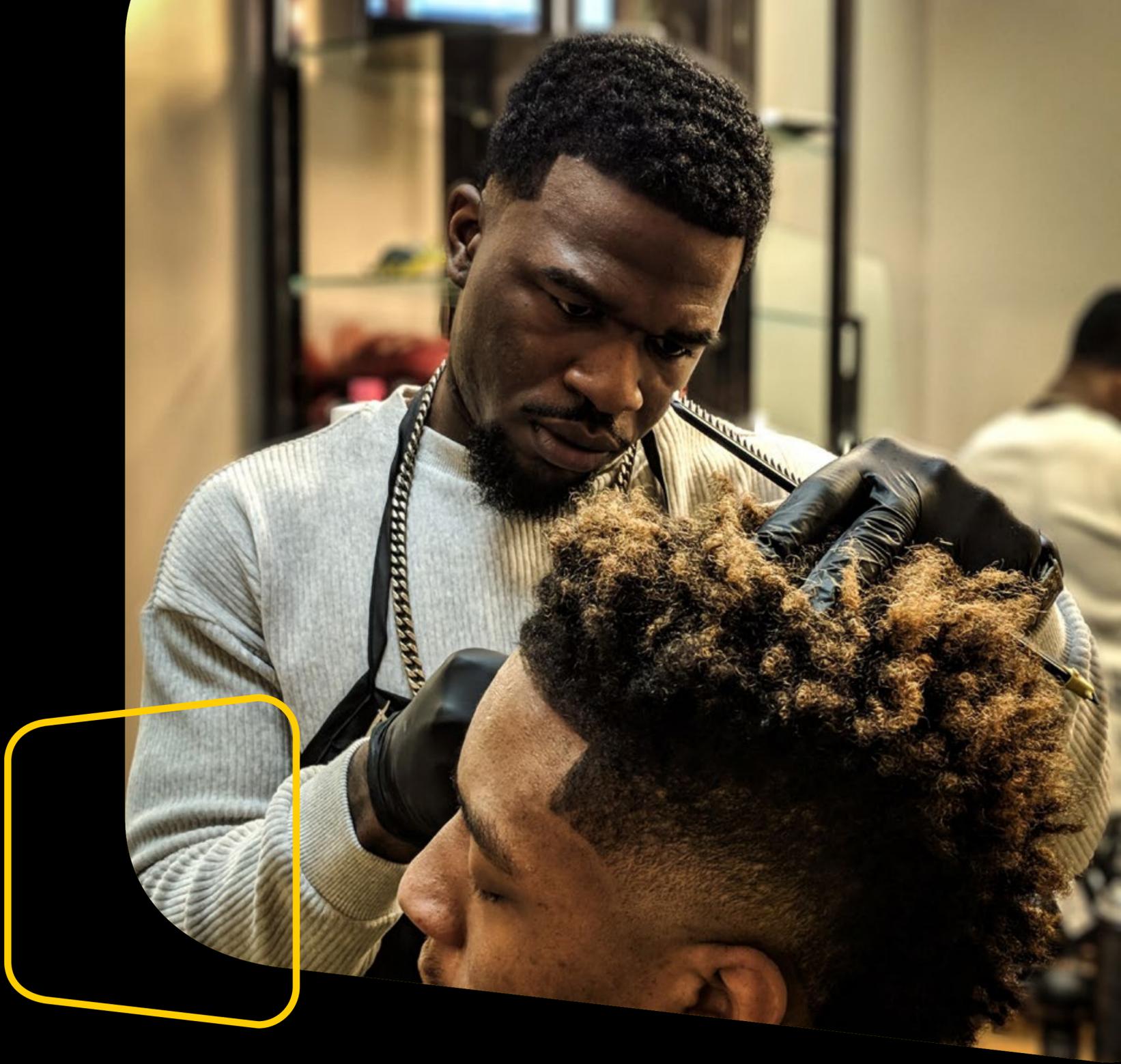


Taking Stock of the Year that Shook the World

A year that started with such optimism, 2020 will always be remembered by small business owners as a year of steep learning curves, cutbacks, pivots and profit losses.

For many SMEs, business changed overnight. Revenue streams dried up as government coronavirus regulations restricted trade, stunting business growth and forcing our small businesses into financial difficulties.

Now, research from The Small Business Institute has indicated just how hard COVID-19 has impacted small South African businesses, with approximately 20% shutting their doors for good.



267 959

Registered small businesses in SA
that employ 1 or more people.

±55 000

SMEs who closed in 2020.

*Stats courtesy of The Small Business Institute.

Small Businesses Have Superpowers

If you run an SME, then you're probably well aware of the lack of support offered to small businesses throughout 2020. For the most part, SMEs have been left to fend for themselves as South Africa's financial powerhouses – from the government to big banks – have offered little support for young businesses.

15%

Small businesses (R10 million annual turnover) who received support from the government during lockdown.

(Planting, S. Business Maverick, Oct 2020)

Despite this, many SMEs have shown their resilience. Some have taken their businesses online at neck-breaking pace in an attempt to keep trading. Others have created innovative digital offerings or formed unique partnerships and side hustles to stay afloat.

But, beyond finding innovative opportunities, businesses now need to find creative ways to cut costs to ensure their survival in the new COVID economy.

Small Businesses Have Superpowers



What's the Next Step for Small Businesses?

If there's one thing we've learnt from the unprecedented challenges small businesses have faced over the last year, it's the need to create lean, cost-effective companies that can weather the storm when times get tough.

To help you find ways to optimise your finances, we've put together a list of areas where you can save costs. Some you may know and may already be implementing in your business; others may be new savvy ways to build a leaner business. Either way, here are our top cash-saving tips.

Finance

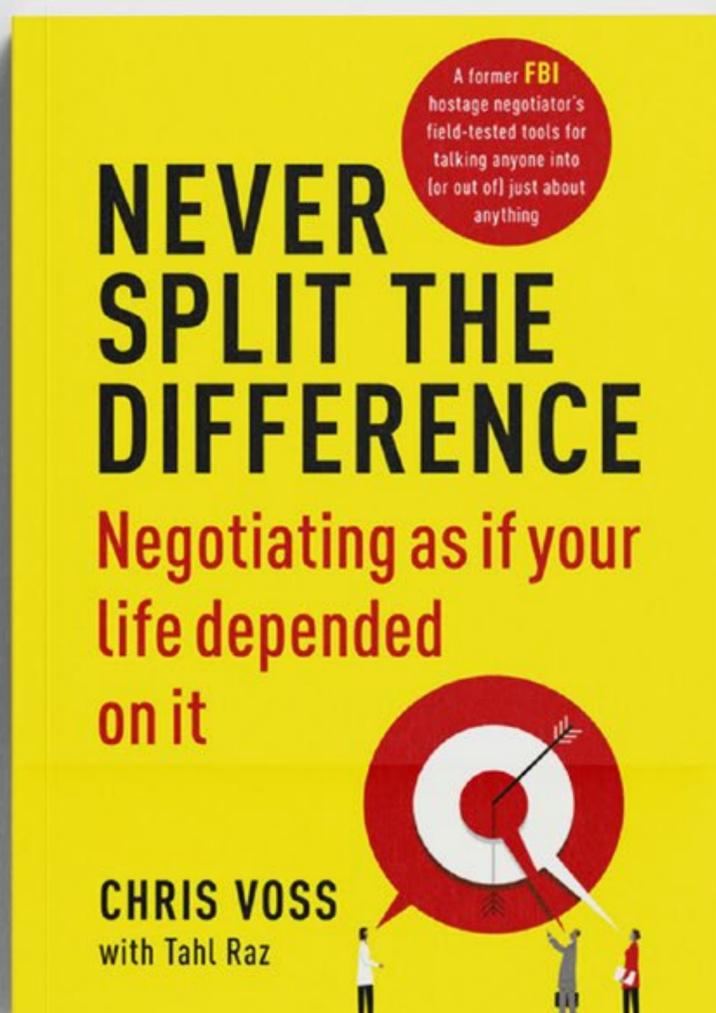
1. Negotiate

Negotiation has always been a crucial part of business. Now, more than ever, it's time to use your negotiation skills to save where you can. COVID-19 has created a new business world with a unique bargaining chip that may offer an opportunity for you to renegotiate your current agreements. From your supplier agreements to your office lease, if you're looking to cut monthly costs, try reaching out to the relevant parties and negotiate a better rate.

Learn from the best negotiator.

Never Split the difference

- Chris Voss





2. Buy in Bulk

Buying your supplies in bulk is a tried and tested way of saving much-needed cash. Consider bulk buying in critical areas, like printing, stationery and other office supplies, to bring down your costs. You could even join forces with another business when you bulk buy office goods to split the costs and save you money.

3. Barter

Have you ever considered barter deals? A barter deal is when a company trades with another in products and services instead of cash. If you'd like to hang on to your cash liquidity, but still need to secure essential products or services, consider striking a barter deal. Barter deals can also foster stronger relationships between businesses and help you grow your professional network.

4. Shop Around

Get three quotes for everything! We're sure every money-savvy business owner does this, but just in case - remember to shop around.

Getting quotes from competing companies will help you find the best deal for you, while also helping you form relationships with a broader network of suppliers.



5. Set Budgets & Forecast Sales

Being responsible with your finances means setting clear goals. Start by drawing up a budget. Your budget should include expenses, direct costs and repaying debts. Once your budget is settled, you'll need to forecast your sales. What do you expect to turnover in the next twelve months?

Once you've forecast your sales, you'll be in a better position to create your profit loss statement, cash flow statement and balance sheet – which will save you time and money.

Try this!



Financial Budgeting and Forecasting in Excel Complete Course

Sign up on [Udemy](#)

6. Tax Deductible Business Expenses

Do you claim the VAT back for your business expenses? SARS allows businesses (both sole proprietors and companies) to reduce their taxable income by writing off business expenses incurred from running your business.

These include:

- Day-to-day expenses (e.g. office supplies, phone costs, rent, travel etc.)
- Capital expenses (e.g. vehicles, equipment, renovations, hardware)
- Education (e.g. upskilling staff)
- Entertainment (e.g. all client entertainment, including food, drinks etc. are tax-deductible)
- Start-up expenses
- Net operating losses

Take a closer look at SARS tax deductible expenses [here](#)



7. Buy Used Equipment

Office equipment is expensive, but there are ways to cut down on your costs. Buying second-hand furniture and equipment, such as office printers, can help you save while still providing the resources you need for your team to succeed. Websites like Gumtree and social platforms like Facebook Marketplace can be great places to pick up second-hand deals.

Operations

8. Go Green

Being more green-conscious doesn't only save the environment; it can save your wallet too. Conserving electricity by turning off the lights when you leave the room and shutting down hardware overnight will help cut your utilities bill. You can also recycle glass, plastic, paper, print cartridges and even mobile phones! Most recycling centres will even pay for your recycled materials. It won't be much, but it'll help you save a bit extra every month.





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9. Rethink Meetings

Meetings take up valuable time. While they are essential for team cohesion and alignment, they can also take considerable time out of your working day. Think about the collective amount you are paying the attendees of your meeting based on their hourly rates. Is that meeting worth the cost to the company? Or is there a more cost-effective way of getting the message across?

10. Use Free Software

From project management to accounting tools, if you're looking for software, more often than not there's a free alternative available online. Before signing up for expensive monthly subscriptions or forking out on costly annual plans, do some research. There may be a free tool that'll do the job as effectively but on the cheap. It's also a great way to test whether a piece of software is the right fit for your business.

11. Switch Up Distribution

If your distribution channel is a cash drain, perhaps you should consider shifting your model to a more cost-efficient option. There are many ways to fulfil your products or services which may worth exploring if it will save you money. For example, you could negotiate with your suppliers to implement a dropshipping model where they ship your product directly to your customers.

12. Go Paperless

Paper, ink and printer maintenance is costly. With the availability of cloud-based services, you could consider making your business paperless to save on these monthly costs. You'll also be doing the environment a favour. Digitising forms will also save time and can even eliminate travel costs if you consult with your customers over Zoom.



Recruitment

13. Freelancers

Calling on freelancers when and if you need them will give you the freedom to cut down on your salary bill. Rather than paying exorbitant salaries every month, if your business lends itself to drawing on a freelance pool, why not hire this way and reduce your monthly expenses? Outsourcing can also help you secure the services of a freelancer who may have more experience or a unique skill-set which you may not be able to afford fulltime.



Looking for a freelancer? Check out freelancer websites like SAFREA and other platforms like Upwork and Freelancer.com

Visit: <http://www.safrea.co.za/>



14. Hire Smart

So often business owners, HR departments and recruitment professionals look for the candidate with the most experience. However, these individuals also come with hefty paychecks. Consider hiring smart but less experienced individuals. The annual graduate pool is an excellent place to start. With unemployment skyrocketing among young South Africans, a savvy recruitment process may help you find raw talent. Yes, it'll take some work to upskill your new hire at first, but the return on investment in the long-run could be exponential.



15. Internships

Creating an internship programme with schools, universities, or other academic institutions is another way of getting more hands-on-deck for less. When structured and planned correctly, internships are a win-win. The intern receives valuable experience, and your business receives the extra support you need.

Marketing

16. Shake Up Your Marketing

Consider rethinking your marketing strategy to develop a more affordable way of promoting your products and services. Trade that inflated marketing budget of Facebook adverts and print advertising collateral for more cost-effective options. Investing more in inbound strategies, like blogging and creating value-based content like eBooks, will attract more leads over time at a lower cost while building your brand. Exploring PR and Search Engine Optimisation (SEO) are other ways to promote your business for less.



Download this!

Local SEO: The Definitive Guide to Improve Your Local Search Rankings

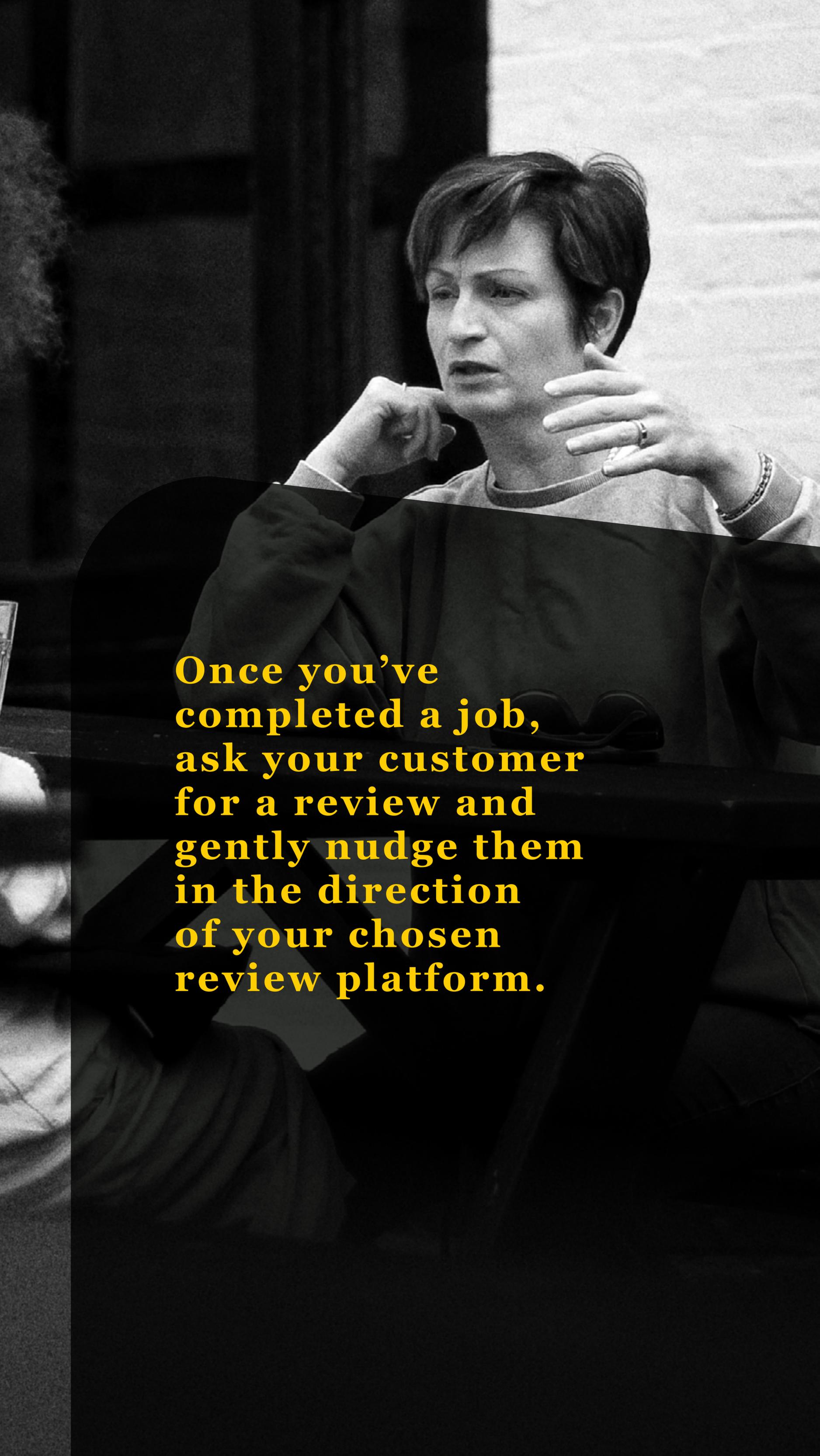
[www.
searchenginejournal.
com/local-seo](http://www.searchenginejournal.com/local-seo)

17. Choose Cloud-Based

Hardware costs can become exorbitant, depending on your business. If you store large amounts of data, invest in cloud-based services rather than spending a fortune on servers. Cloud-based services are also available remotely, which enables you to explore the option of downscaling your office space and following a work-from-home model. If you have a home office, you can even write-off your bond or rent, insurance, rates and taxes as deductible tax expenses.

18. Ask for Reviews

Word of Mouth Marketing is one of the most powerful ways to attract more customers and build trust. Product and service reviews on your website, social channels, forums, Takealot.com and review management platforms, like Hellopeter, are an effective way of showing your customers that you know what you're doing. Once you've completed a job, ask your customer for a review and gently nudge them in the direction of your chosen review platform.



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19. Joint Advertising Ventures

Is there a business that offers a complimentary product or service to yours? Consider running a joint advert or campaign and splitting the cost. It's a great way to form long-standing partnerships and mutually beneficial

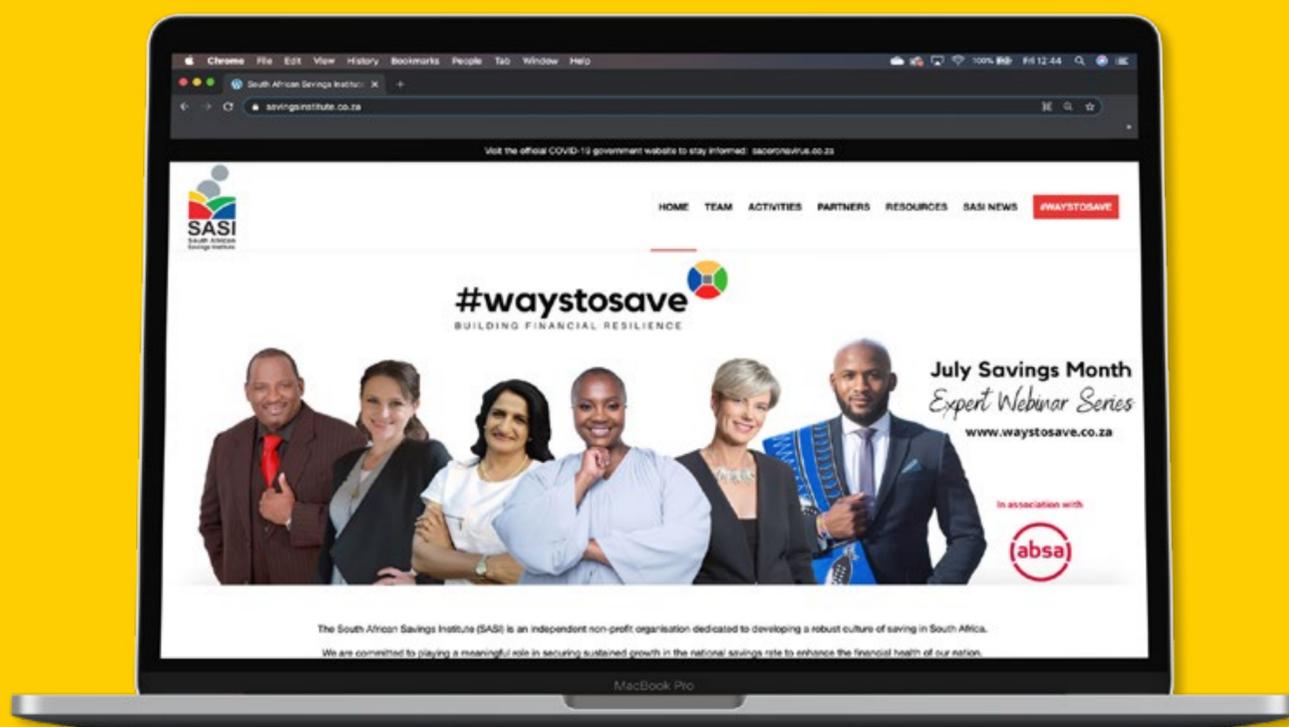
relationships with other business owners. Beyond the campaign, you and your fellow entrepreneur can promote each other's companies to drive valuable traffic between your businesses.

Versus Virtual Run
Image Source:
Versus Socks
@versussocks



20. Keep an eye on SASI

The South African Savings Institute (SASI) is a non-profit organisation dedicated to creating a culture of saving and investment in South Africa. Regularly checking the SASI website will give you unique insight into new savings strategies informed by new legislation, along with handy saving tips that'll help you create a leaner business.



Stay up to date with the latest small business news and trends.

Visit: www.savingsinstitute.co.za

ANY TIPS YOU'D LIKE TO ADD?

This list was compiled to cater to a wide variety of businesses and industries. If there's something that we've missed that you think your fellow iK Tribe members need to know, share it with us on our social channels.



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