

# SME DIGEST

ADVICE FOR SMALL & MEDIUM SIZED ENTERPRISES



Edited by Adam Bernstein



PART ONE

# 20

## WAYS TO SAVE IN BUSINESS

By Adam Bernstein

Setting up, maintaining and growing a business in the good times requires a combination of skill, judgement, luck and common-sense. But being at the helm of a business in the current climate requires even more of the same just to keep the business alive let alone stand still. In the first of a two-part special feature, Service Dealer's SME Digest editor and small business owner, Adam Bernstein, offers an insight into 20 simple ways that businesses can increase their bottom line.

### 1 Bench market insurance annually

Insurance is an intangible that is only of value when situations turn sour or disaster strikes. Some are legally obligatory while others are an opt-in. It seems so unfair that loyal customers have the unsavoury privilege of often paying more for their insurance than new customers. There are numerous examples of insurance firms overcharging existing clients. Last October (2019) The Guardian reported that "Six million insurance customers are being hit by 'loyalty penalty'" with an average 'penalty' of £200 per head a year.

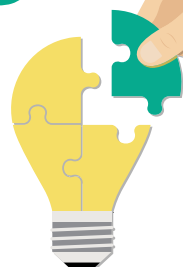
So irrespective of the policy type, the obligation to be insured, or the insurer – you should always review and benchmark your insurance before renewal. Set a diary date for this, allowing good time to change if necessary.

### 2 Increase insurance excess

Insurance premiums are based on risk and profit, that is, how likely the insurer will have to payout a claim, the likely cost of claims and the profit (loss) they're likely to make. As insurance should only really be used for catastrophes making claims for minor losses should not be contemplated.

Repeated (small) claims are a guaranteed way of increasing premiums and / or having cover declined. Consider setting the excess higher and only making claims for substantial losses. This way you'll be able to lower your premiums, often by quite a margin.

### 3 Business rates



The fact that firms have to pay business rates is a given, but that doesn't mean that firms can't take steps to lower their bills. If there's space that's unused – say a floor that can be closed off – or some external reason such as road works that affects trade and footfall, an appeal can be made to the Valuation Office Agency for a lowering of the business rates. Further, you may be able to apply for other reliefs to lower the rates you pay. See <https://www.gov.uk/introduction-to-business-rates> for more detail.

## 4 Sub let spare space

Do you have space in your premises that is underutilised or just not needed? If so, another option to save on outgoings is to consider (sub) letting the area. Clearly this isn't an option for everyone, and your landlord and lease may have something to say on the matter, but it's worth a looksee and taking advice from a property lawyer or surveyor.



## 5 Banks

While it's entirely possible that you're on a great deal with your bank, it nevertheless doesn't hurt to take a look around to see if another institution can improve on the tariff you're on. Don't just look at the banks on the high street; also consider the challenger banks such as Starling or Monzo. The former, for example, offers free banking facilities via an App driven service. It's true that there's no cheque book with the account but transfers can be done online now. Banking cash or cheques isn't an issue either. **Fundamentally, it's hard to beat free.**

## 6 Make spare cash work for you

Having 'spare' cash sitting in a business bank account is madness even if it might be rare. But while you have liquid assets you're earning nothing on the money and the banks are profiteering. The alternative is to, as closely as you can, micromanage your accounts and sweep extra cash into interest bearing accounts. Depending on the complexity of your business you may need advice from your accountant (you'll not want to take your directors loan account overdrawn) before making changes. Even so, you should be able to find an account that offers some interest. Take a look at Moneyfacts - <http://moneyfacts.co.uk/business/business-savings-accounts/> - it's one site that list what's available.

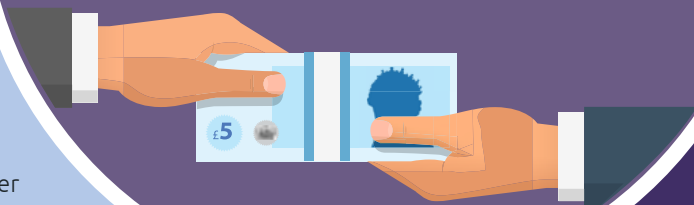
## 7 Work from home?

Most business owners work partly from home. Sure, they may not trade from home, but they may well spend time in the evenings putting together accounts, marketing plans while researching new products to buy in for sale. If this is the case, they ought to speak to their accountant to see what they can expense through the books to cover 'costs' such as a proportion of heating, lighting, power, water, phone and broadband. It may not be a huge amount, but it will bring the tax bill down. As Tesco says, *"every little helps"*.

## 8

### Commission your staff

All the expenses of running a business are high so see if you can get one – employment cost – down, once the world reawakens of course. It'll require good advice and the consent of the currently employed staff (new starters either agree to the terms or they don't get the job) but putting your staff on to part basic and part commission led pay may be worth consideration. That way, you pay more when they sell more but less when they don't achieve. It's a tricky one to navigate but it might work for you and the employees too.



## 9 Self promotion

When business starts up again, you'll want – need – to self-promote. Look to see if you can piggyback your advertising. This means including material in any (e)mailings to customers and making the most of your point-of-purchase opportunities by tucking coupons, newsletters or other promotional fliers in the bag with customers' purchases or handing it to them with their receipt.

## 10 Energy

The business energy market is very distinct to that we experience at home. USwitch.com type comparisons that work for the domestic market can't be made. This means firms either need to contact suppliers individually or use the services of a consultant (search for energy consultant on Google). The key is to diarise when contracts end, remembering that there are windows of opportunity to give notice to a supplier, not assuming that being out of contract is a good deal (it's 30-40% more expensive), and to regularly benchmark tariffs.

**NEXT WEEK: Another 10 tips to help you save money.**

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