

**16 Tips for Improving Your Bottom Line**  
**Simple, common-sense tactics for cost savings**  
**that go directly to your bottom line!**

By Dr. George Matyjewicz

Over the years, we have helped many companies grow profitably, using simple, common-sense tactics for cost savings that go directly to your bottom line! And it's the little things that count – a ten percent increase in profit is more likely to come from twenty things that contribute one-half percent each than from one thing that gives you the full 10 percent.

Here are 16 tips to help you cut accounting and administration costs.

1. Improve Collections. This tip comes from my partner (both life and business) Phyllis. Rather than wait for a bill to be past due, call the customer the day before the payment is due to be certain they received your invoice and that it is scheduled for payment. If they haven't received it, tell them you will fax it to them immediately. This trick alone is how she has improved collections from 120+ days past due to 45 days (94% current) at a major importer.

And deposit daily! Take advantage of the short-term interest on your deposits.

2. International Payments. While it takes an average of 42 days to collect payment from U.S. companies, it is much slower in other countries. The average days outstanding on receivables in other countries: Iran 310; Syria 175; Kenya 143; Ethiopia 138; Argentina 121; Uruguay 120; Tunisia 116; Chile 109; Ecuador 107; Cameroon 106; Morocco 105; Algeria 103. So, if you do business there, you better adjust your prices to reflect these slow collections.

3. Accounts Payable. With each vendor, work out an agreement to delay payments or spread them out. A long payout over one year can be secured by a note and will reduce your accounts payable on your balance sheet (it goes under long-term obligations). This improves your working capital position, which makes your lenders or investors happy.

4. Improve Cash Flow. By improving cash collections and delaying cash payouts you have improved cash collections. Let's look at an example. Assume your sales are \$3 million and you have 120 days in accounts receivable, or \$986,301. Improve it to 45 days and you reduce it to \$369,863, which is a cash flow improvement of \$616,438. If you delay payments to vendors to 45 days instead of 30, you could improve cash

flow another \$123,287 on payables of \$1 million. That means you have improved cash by \$739,726!

And, if you still need to improve cash, consider factoring your receivables, which is very common in the fashion industry. If you sell to customers who have good credit, you borrow against the receivables or sell them outright.

5. Save Pennies. Reduce costs wherever you can. With a business, you have five major areas of costs: 1) Labor; 2) Rent; 3) Inventory; 4) Equipment; 5) Marketing. Save on the operation costs like rent and equipment, and you have more to spend on the things that make you money - inventory and marketing.

Before you spend a lot of money on fancy offices, fixtures or state-of-the-art technology, consider other, less expensive ways. Fixed expenses don't make you money!

6. Reduce Cost Of Your Office Supplies. Go through your past invoices and highlight the office supplies that make up 80% of total dollars spent. You should focus on only the top 20%--those items you always need to have on hand. Then, contact three vendors and get bids on those specific items. Let them know you're shopping for the best deal. If you include a superstore (i.e., Staples, Office Max, Office Depot) in your survey, account for the costs of an employee's time to get the supplies.

Compare prices with online or mail-order companies. Ask questions: What is the minimum order allowed? Who pay the freight charges? Do they have an 800 number to place orders? Who pays the return freight if there are problems?

Centralize the purchase and location of office supplies to improve inventory control and reduce redundant purchases. Work with your supplier to develop "just in time" inventories where the supplier manages the inventory and restocks as needed. Often, orders can be delivered within a day.

7. Telephone Control. Make sure you are getting six-second increment billing with no minimum per call. Some long-distance carriers will charge you a full minute even if your call is only 18 seconds in duration. The shorter your average call, the more you'll save by having six-second billing. With voice mail and faxes being so common, the average call is getting much shorter. Studies have shown that six-second billing can save you around 10 percent on your long-distance bill. Competition with

telecoms is becoming fierce. Some are now using the mobile telephone billing concept – flat fee for "x" minutes anywhere.

If you have more than a dozen telephone lines, you may be able to save money going to a system that uses trunk lines and shares them among different facilities. Rather than pay separate charges on each telephone line, this allows you cut line charges.

8. Your 800 Number. Consider a toll-free telephone number for customer service or to tie locations together seamlessly. For example, let's say you are a software company with sales in one location, support in another and administrative in a third. Rather than give customers three different telephone numbers, give them an 800 number, which offers a menu for them to select and redirect the call. When we first implemented such a system, we learned the differences in costs were quite significant.

When negotiating for an 800 number, a critical question you must ask is whether or not you "own" your 800 numbers. In May '93, the U.S. FCC enacted a regulation allowing the customer to keep the same 800 numbers when switching to another long-distance company ("portability"). If you move, your number goes with you. The telephone sales rep should ask you to sign a "Resp Org" (Responsible Organization) form, that is required to be submitted, turning the management of your 800 number within the 800 database entity over to a long-distance company.

9. E-Mail Rather Than Telephone. Use e-mail rather than playing telephone tag and incurring unnecessary long-distance telephone charges. Make sure your company's e-address is on your stationery, business cards, invoices, shipping papers, advertising and anything else that reaches the outside world. And make the e-addresses relevant, i.e., on invoices, include the accounting e-address; on stationery, a general information e-address; on shipping papers, the shipping department and/or accounting.

10. Do Your Own. If you spend a lot of money on outside professional fees, considering hiring in-house paralegals, researchers, accountants, and lawyers, which can cut your professional bills substantially. In one venture where we were involved, we used law firms in 15-20 different countries, and our legal bills were extremely high. We hired a paralegal, gave her the title of compliance officer, and had her review and write all contracts, security policies and other documents, which were then reviewed by our lawyers, rather than them writing the document.

One simple legal process that you can do on your own without even using a paralegal is to incorporate. I have incorporated dozens of companies

using the Company Corporation, and you can select a particular state or register in the US if you are a foreign company. You can find them online at [MyCorporation.com](http://MyCorporation.com).

11. Shop Your Banking. Banks are continually adding fees to try and recover their costs. You should carefully review your accounts. Consider asking for bids on your banking business every three years, as you would your suppliers. You may have grown, and need a new type of banking relationship.

12. 101 Questions To Ask Your CPA. This free guide contains questions to ask about financing, analyzing the firm's competitive standing, lease/purchase decisions, how to structure a business, business insurance, and more. Send a SASE to: Division for CPA Firms, American Institute of CPAs, 1211 Avenue of the Americas, New York, NY 10036.

13. Quicker Credit Checks. When you give credit to people, be sure they fill out an application. It should include not only business references, but also full name, address, social security and driver's license numbers of the owner of the business. Why should a customer wait two to four weeks for you to receive their credit check through one of the large companies like TRW. Instead, ask for COD on the first order, and do some of your own credit checking until the TRW comes in. While banks are usually reluctant to release specifics about their customers, you can ask them if their balance is at least twice as much as necessary to cover your order. Then look for the banker to use words such as honest, respectable, and trustworthy in describing their customer's abilities.

14. Cut Printing Costs. If you spend more than \$500 on a printing job, it can pay to shop around. Contact local printers, mail order printers or search online. We recently bid out a business card order and sent the image to ten printers online. We got back ten different prices, and a lot of gobblygook – technobabble, that we didn't understand. We chose the one who told us in plain English, which was also one of the most reasonable. We then had another larger tri-fold print job, which we asked them to do, and they were intellectually honest enough to tell us they specialize in short runs, and declined to bid on this larger job.

15. Reduce Telemarketing Calls. Do what I do when receiving a telemarketing call. Ask if they are buying or selling. If selling, I'm not buying. Also, tell your staff about the law that says when someone calls them, they can specifically ask not to receive any future calls. The company then has to put your company on their list to avoid. You can also send your name, address, and phone number to the Telephone Preference Service, c/o the Direct Marketing Association, and you will be

deleted from their members' telemarketing lists. The operative word here is "members."

16. The IRS, Pay Or Fight? When you get hit with an IRS additional tax levy, consider fighting it. According to IRS's statistics, of 40,000 tax cases sent to appellate level 75 percent were settled by agreement. There are two methods of appeal: 1) directly through the IRS's administrative process, or 2) directly to litigation in the courts. The second course of action is rarely chosen because most disputes are settled at the appellate level. If agreement can be reached at this level, a court challenge is still available.

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