

Financial training For non financial staff



The financial training specialists

Cut costs or invest in the business? (profit)

I was at a business development workshop last week, and we were discussing cost management.

One view was that we need to cut costs: keep costs as low as possible in order to be profitable.

An opposing view was that we need to invest in the business (and increase costs) to be profitable.

In the end the consensus was that we need to do both. We need to find out what our customers want, and give them that in spades. That means investment. We'll know what these things are. It's all the things that our customers ask for, and that make us stand out from the competition. Our challenge then is to turn this premium service into a premium price, otherwise we're just a charity!

But we also need to look at all the things we do that are unnecessary and don't add value to the customer or the business. These are the costs that we can cut. Again, we know what these things are. It's the activities about which we can ask "Who would miss it if we stopped doing this?" and have an uncomfortable silence as the answer.

So, in your business, where do you need to invest to give the customer what they want (and are prepared to pay for), and where do you need to cut waste? Hopefully the former will be financed by the latter!