

Your Bottom Line

By Dr. Henry J. Oles, Cr.Photog.

Cents + cents = dollars

Is your business bleeding to death? Chances are that it is and you don't know it. Therefore, you're probably not doing anything to stop it. If your pail has a small hole in the bottom and you fill it with water, eventually the pail will be empty. Punch larger holes in it and the pail will go dry more rapidly, even if you are continually adding water. It's such a simple concept but, in the complex business world, you may not know that your business is springing leaks until it is too late.

To be successful in any business, it's critical that management maintain a vigilant search for smart ways to save on expenses. You must constantly be aware of the fact that the businesses you patronize are continuously looking for ways to get more profit from you in ways that won't catch your attention. In some respects, it's like a game: He who gets the most for his money wins; he who lets too much slip through his fingers loses.

Some of the fundamental business necessities have innumerable financial traps. For example, your telephone can cost you more than it should. Once upon a time, telephone rates were pretty standard. Today, in the constant fight for customers among phone service providers, it may appear that consumers are getting lower rates. However, selecting a phone service provider is not as simple as it may seem. For example, you can't simply compare the rates between two companies for a three-minute call between Dallas and San Francisco. Some long-distance companies charge for service in 60-second increments, while others charge by the second. With some companies, if you talk for 61 seconds, you are charged for two minutes. With others, you are charged either by the second or in five-, 10-, or 15-second intervals. If you use a lot of long distance, this quickly adds up.

International rates for one carrier may be several times higher than those of another. Some carriers charge if you let it ring too many times and no one answers. Or, if you make a call, get a busy signal and don't immediately hang up, you are charged as if someone had answered. I hate paying the surcharges hotels often place on long-distance calls. I thought it would be smart to use my telephone credit card instead and beat the system, but I found that I was charged even more. Not only did the hotel charge

a 50-cent access charge, but also the credit card company charged \$1 per minute per call. I placed a couple of calls from England, which I charged to my Visa card, and later learned that I was charged \$8 per minute. There was nothing to do but pay.

Because basic phone service is so competitive, companies try to make a profit on basic services, often charging as much as \$100 per hour. When your business grows and you need extra phone lines, you are faced with a mountain of complex decisions. In the business arena, everything associated with telephone service can be as negotiable as buying a used car from Slippery Pete. If you keep dealing, you can save hundreds, even thousands of dollars each year.

Getting the best deal on telephone service is just one of many expenses you should carefully monitor. With almost anything you buy, there is almost always a better buy somewhere else without sacrificing quality. You must be willing to shop around and negotiate. Americans have become so accustomed to paying the "sticker price" for products and services that we seem to have lost a lot of our negotiating ability, thus making it easier for our suppliers to maximize their profits. For example, in the photo industry, many color labs negotiate their prices for large customers. The savings can be enormous. But, don't expect labs to offer you low prices if you don't ask for them.

Some people call me cheap. I prefer to use the term "frugal" or "cost-conscious." How did Sam Walton build his Wal-Mart chain—especially when Kmart and so many others were so well established? Primarily by making the right purchasing decisions and running a lean operation. Wal-Mart stores are not extravagant. They are designed to get the job done within the constraints of what the majority of the customers will accept. Wal-Mart Portrait Studios follow the same formula. They offer a quality product at reasonable prices without wasting resources.

This philosophy can be applied to any photography studio. That new \$4,000 camera you have dreamed about owning may really have your adrenaline flowing. But, you need to decide whether that new camera is going to be cost effective and eventually pay for itself. Can you get by just as well with a \$1,000 camera? If so, you can save \$3,000.

Many years ago, I had my heart set on replacing my Mamiya C33s with the most expensive cameras used in wedding photography. But, after buying them, I noticed that my photography didn't automatically improve. I set up my high-price cameras and the C33s side-by-side and photographed a typical wedding scene in a quality-comparison test. I was terribly disappointed to find that I couldn't see a difference in the prints. The only benefit to me in acquiring the high-price cameras was pride of ownership. It did nothing for my company's bottom line, except reduce it. This is not to say that the high-price camera is not a good camera. But, one must ask whether or not it is four times better than a similar camera that costs only a quarter as much. If you have an excess of money, perhaps it doesn't matter. But, if you are in the growth phase of your business and money is tight, you can't ignore issues like this.

At the moment, I drive a 1984 diesel-powered Suburban with 175,000 miles on it. It still runs quite well. A similar replacement vehicle will cost \$34,000. On a lease it will cost about \$800 per month. I have to ask myself just how badly I want a brand new Suburban. With insurance and other incidentals, the new car will cost \$10,000 to \$12,000 per year more than what I am paying now. Is a new car worth that much? Eventually, I'll have to buy a new vehicle but, in the meantime, we're saving a huge amount of money.

Employees often think that when management pinches pennies the amount saved automatically goes into the owner's pocket. This is not usually the case. The greatest hindrance to business growth is lack of cash. Therefore, every dollar saved is a dollar that can be invested in the growth of the business. Advertising is a good investment when done correctly. It can transform the dollar you save into hundreds or thousands of dollars.

Every business leaks; some worse than others. The important thing is what you do about stopping the leaks. First, accept the fact that you have leaks. Second, make a concerted, all-out effort to find those leaks and plug them. Then, reinvest the savings into a solid business promotion plan and watch your bottom line grow. ■