

### **Small One Time Savings Do Not Matter**

I once read a paragraph in a book supposedly on the subject of cost control. This book stated that you should not worry about being overcharged small amounts on small or one time purchases as this type of activity has no real impact on your bottom line. It went on to state that you should only worry about large purchases and ongoing or repetitive purchases.

#### **Think about this.**

The author of that book has stated that small and one-time savings have no real impact on the bottom line. He has, in effect, stated that it is acceptable to overpay on small purchases and one time, less frequent purchases. These statements make my blood boil.

**How could any businessperson feel it is acceptable to ever overpay for anything? How can anyone say that small savings have no impact on the bottom line?**

Now I may not be a math whiz, but it would seem to me if I save \$100 I add \$100 to my bottom line. If I do this 100 times I have saved \$10,000. If I have added \$10,000 to my bottom line and my profits were only \$100,000 last year, I have increased my profits by 10%.

**This type of thinking has no place in a program of total cost control. This type of thinking has no place in any business. If you have someone who agrees with this type of thinking, you had better get rid of them as soon as possible. They are costing you money.**

While I agree that you must be concerned with ongoing costs, I could not disagree more strongly with this author's comments regarding the unimportance of small and one-time savings. Beyond the obvious savings involved in making sure you do not overpay for anything, you must also consider the attitude that is fostered by disregarding overpayments.

**The mentality behind this type of thinking will doom your cost control and cost reduction efforts. Who decides what an acceptable overpayment is?**

**What a stupid premise.**

**Who decides which purchases are frequent enough to worry about and which are not?**

**Who decides what a large or small purchase is?**

**All costs are significant enough to worry about. This is what cost control is all about.**

If you are running a business with sales and expenses that run in the millions or billions each year you will have a tendency to think little of small amounts of money. Saving \$100 as discussed earlier won't seem like much and, in fact, may not even seem to justify your attention.

**This is wrong. This is foolish. This is poor business. If you think like this, you must change your thinking.**

If you find 20 areas in which you can reduce costs by \$350 you have just saved \$7,000. I am sure that a \$7,000 savings would get your attention. If last year you made a \$30,000 profit and you add \$7,000 to it you have increased your profit by 23%.

Do you see how apparently small savings can have very large impacts on your bottom line? If your average net pretax profit on a sale is 5% you would have had to increase your sales by \$140,000 to realize this same bottom line net gain.  $\$140,000 \times .05 = \$7,000$ . Think how hard and how costly increasing sales by \$140,000 would be.

I hope you see my point. Unless you realize the effect small savings can have on your bottom line you will never realize the savings you could and should achieve. Just as details matter, so do small expenses, one time or ongoing.

Finding 1000 ways to save \$100 is just as effective on the bottom line as finding one way to save \$100,000. **I want you to do both.** If you found a \$100 bill on the ground you would get excited wouldn't you? You would stop and pick it up wouldn't you? What is the difference between finding that \$100 bill on the ground and saving \$100 for your business?

If your answer is one goes in your pocket and the other goes in your company's pocket, you are not committed to a program of cost control. If your answer is that there is no difference, then you see my point that small savings, like small ideas and small details, matter and matter a great deal.

**Your objective is to think, and get your people to think, that the company's money is the same as their money.**

**Would you be happy if you lost \$20 or overpaid for something by \$50? Of course not. But how unhappy or even concerned are you or your people if they waste \$20 or \$50 of the company's money? Not concerned enough I assure you.**

**This is exactly what you must change. This is what you must overcome.**

Your people must understand that the fiscal stability and profitability of the company directly affects them. No profits or low profits mean no raise or low raises. The same holds true with bonuses, company sponsored employee activities, and benefits. It also holds true with jobs.

You will be amazed at how much your employees can save you. You will be shocked at how much they can cost you if they think nothing of the company's money or if they see no relationship between corporate profitability and their job or income. Too many employees and managers feel exactly this way. Hard to believe but true.

You cannot have, nor should you tolerate, an attitude or mentality that disregards savings of a few cents an item or a few dollars on an order. Rest assured the mundane can make a big difference on your bottom line. Saving money on the small items that are often overlooked or ignored can produce large savings which translate into significantly increased profits.

If you save \$50,000 one time or save \$1,000 fifty times, is the result not the same? In fact, finding many ways to save small amounts should be easier as there are so many more opportunities to save small amounts. In fact, by saving money on small things you may realize significantly larger overall savings.

Benjamin Franklin once said “Beware of little expenses. A small leak will sink a great ship.”.

He was right.

**Yes, the large savings are very important but never overlook the small savings.**

This edition of The Welch Report has been provided by Derrick Welch the author of **‘In Pursuit of Profits: How to at Least Double your Profits Without Increasing Your Sales’**. **Including 1,000 Cost Control, Expense Reduction, and Income Producing Strategies You Can Start Using Today To Dramatically Increase Your Bottom Line.**

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