

Title:

Overhead Costs - Keep Them To A Minimum

Word Count:

419

Summary:

Overhead costs aren't retrievable in terms of billable hours. Try to find ways to cut these costs and make business decisions that minimize your total overhead costs.

Keywords:

Overhead Cost, Overhead-Cost

Article Body:

Overhead costs are those expenses that do not vary with your production level. A term that is synonymous with overhead cost is sunk cost. The cost of the item or service is sunk regardless of whether you generate any income or not. You need to pay for electricity and basic phone service and these costs do not go up as you bill more hours.

Because these overhead costs are spent right from day one, it is wise to try to minimize your totals.

Overhead Cost Minimization

Work from home. This is the single largest way to save on overhead costs. There is no need at the start to spend your money renting commercial office space.

Set up a separate personal credit card account. You don't need the overhead cost of an annual fee for a business credit card. In most cases, you can just get another personal, non-fee credit card.

Market through networking. Not only is networking the most effective means of marketing it is also the cheapest. Keep your overhead costs low by attending as many networking events as you can.

Target your direct mail as much as possible. You don't want to pay to fill up someone else's recycling container.

Stay away from product sales. Do not put your cash into products. This

represents an overhead cost whether you sell the item or not. Sure you may miss out on some sales margin revenue but the overhead costs and the aggravation are generally not worth it.

Avoid high price consumer advertising. If you want to keep overhead costs low, steer clear of expensive ads for the Yellow Pages, advertising in coupon packs, or advertising in large newspapers. The audience is not targeted enough for your needs.

Join an established health plan. If you can, get on your spouse's plan or try to stay on your work plan for as long as possible.

The Bottom Line on Overhead Cost

Overhead costs aren't retrievable in terms of billable hours. They are spent regardless, so it makes good sense to keep them as low as possible. Keep good records and analyze your overhead costs on a regular basis. Try to find ways to cut these costs and make business decisions that keep overhead costs to a minimum. You need to keep a positive cash flow and high overhead costs are the quickest way to drain your cash away.

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