

Getting A Handle On Expenses In A Farrier Business

A step-by-step review helps you control this vital area, leading to additional profits

By *Esco Buff, CF, Ph.D.*

Any time is a good time to get your business expenses under control. With very little imagination, any business can accomplish this task, which is especially important in these challenging economic times. While all businesses do need to spend money, one of the most straightforward things you can do to make more profit is to cut down on your expenses.

The first step in reducing expenses is to be honest with yourself as to why you're buying what you're buying — be it a new tool, forge or anvil. Research indicates that many of us buy emotionally. Never buy another shiny tool without asking “Why?” “What for?” and “Do I really need this?”

Here are some other areas to address to reduce your expenses.

Keep accurate records. This is vital to being able to assess your business expenses. Such records provide information regarding expenditures and allow you to establish control over them. Many people are unaware of how much cash they spend on incidentals.

If you spend \$2 for a cup of coffee just once a week, that still adds up to \$104 a year. A couple cups of coffee a week can add up to \$360 or more a year.

Now start adding up all the rest of those “few dollars” you spend in a week. You will be surprised how much you end up spending. To combat this, keep a daily log of all expenditures down to the penny. Then you will be able to review the record and decide what and where you need to cut the spending.

Inventory on hand. Keep a close eye on your inventory so it does not sneak up and get too high on you. Establish minimum and maximum quantities of materials on hand to keep cost to a minimum. This is known as the “just in time method.” You need to obtain more materials “just” as the materials on hand run out.

Purchasing supplies. When it comes time to purchase supplies, purchase just what you need. If you live in an area with a farrier supply store, there is no need to carry overly large quantities of materials. Purchase often-used items in large quantities to save money and/or co-op buy with other farriers, especially if it will help you take advantage of large-order discounts. Subscribe to a wholesale warehouse or get the items via the Internet through a wholesale supplier.

Use supplier discounts. Explore whether paying cash may enable you to get more discounts from suppliers.

Try bartering. Reach out and offer to exchange products or farrier service with those from other businesses. Trading things may be an old-time idea, but it works. I exchanged several hundred dollars in surveyor fees on new property for buying re-bar and cutting it up for my surveyor. The trade was beneficial to both of us.

Borrow, rent or lease. There is no good reason to buy equipment you won't need more than once. Why not borrow or lease it? If you need a welder just a few times a year, renting one from another person or welding company can save hundreds of dollars on something you'd hardly use otherwise.



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Reuse, fix and make. Use and reuse your tools until they can no longer be used efficiently. I see many farriers throw away rasps or make them into snakes when they could send them in for resharping. Why buy a new rasp for about \$22 when you can have one resharpened as good a new for about \$7? Make your own clinch block. A new shiny one looks good, but just about anything can serve as a clinch block, including the side of a rasp.

Fix what tools you can. If you're not sure how to adjust some tools, check with the manufacturer or other farriers.

Look for going out of business sales or on-line sales. Sometimes you can get good used equipment from other farriers or businesses that are going out of business. Not all the tools you use need to be purchased through a farrier supplier. Some tools are universal. Try hardware stores for tools, like cut offs, files and electric tools.

Negotiate. Bargaining can and often does pay off. There is no harm trying to get things at a better rate. The worst thing that can happen is to be told “no.” If you want to really practice your negotiating skills, take a Caribbean trip and try buying some t-shirts from local vendors.

Pay your debts. Prompt payments can avoid late fees and charges.

Minimize account receivables. Invoicing and collecting payment at the time of service is key to improving cash flow, as well as reducing expenses from sending out bills, including postage, time and envelopes. Billing instead of collecting at the time you do the farrier work increases your expenses and risk.

Networking. Good networking can

change your world through the exchange of ideas. Many other business people may have ideas to help you increase profits and reduce expenses. Sharing struggles and ideas can help spark new ideas and ways to run your business.

Reduce ongoing expenses by looking for discounts and other ways to reduce fees. Auto insurance companies may give discounts for air bags, having an anti-theft system, good driver discounts, military service, multi-car, new vehicle and partnering organizations.

Plan ahead. Decide on what you need in the future. This will help you research, plan, search and buy when it is most cost effective. Yearly, I deliver my rasps to be resharpened to Save-Edge at the International Hoof-Care Summit. Since I attend the Summit anyway, I save on postage and shipping.

Use free stuff. Many farrier industry companies will give away samples for you to try. Try them. They are free. But charge your customers as if you purchased them.

Variable expenses. Variable expenses such as materials and supplies are some of the most costly items for a business. Ideally, variable expense should average about 22% of the businesses total revenue. You may need to mark up your prices on products being sold and other materials (shoes, nails, etc.) you use to be sure you're at that 22% benchmark.

Avoid overspending. Reduce the limit on your credit card if you need help in not using it.

Ask new clients how they heard about you and record their response. To evaluate any marketing or advertising, you need to consider the return on investment. If you spend 80 hours a year teaching farrier science at the tack store and not a single new client comes from the effort, then perhaps you need to look into another promotional idea.

Identify key costs that you can squeeze. Some costs are fixed or so

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small as to not be worth the effort. Compressible costs may be things such as electricity and gas. These services can often be packaged together giving you the most savings for your money. Auto and home insurances can also be packaged, as can many business insurances.

Over time, it's easy to become complacent and not look closely at efficiency or cost effectiveness. Look for smart and cost-effective ways to squeeze dollars out of your major compressible costs.

These are just some key areas for further exploration. There are many ways to reduce your expenses. It is not complicated. It just requires using a little imagination and a little extra effort. **Ω**

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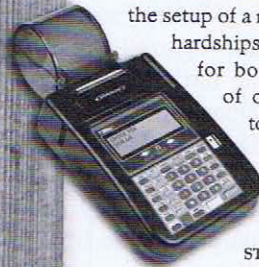
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