7 Hidden Costs That Are Eating Up Your Small Business

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Key Takeaways

- Small businesses rarely fail from one big mistake — it's usually the slow bleed of tiny, overlooked costs that pile up until profitability disappears.
- If your margins feel tighter than they should, these seven hidden expenses could be to blame.

Small businesses that fail, oftentimes fail after the accumulation of tiny, silent, boring expenses that slowly choke profitability — and by the time you realize it, it's too late.

If you're in the 35% of small businesses that aren't profitable, or if you've ever felt like your business should be more profitable than it is, this is for you. Let's break down the hidden costs that quietly eat into your margins, how to spot them and what to do to get your margin back.

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1. The cost of not knowing your numbers

The fastest way a small business loses money is simple — you don't know your numbers, or you aren't paying attention to

them.

The point of having any kind of numbers in your business is to give you clarity to use for your decision-making. If you don't, it's way too easy to make reactive decisions or hold onto things.

Two common outcomes I've seen from not knowing your numbers are overspending or not charging enough. If you just assume you'll have enough in your account, it's possible the day will come when you don't.

Another area where a lack of metrics can really impact businesses is any kind of pivot that needs to be done – hiring or firing, adding or removing an offer, or changing your marketing channels.

There are so many examples of this, but in short, a business that doesn't know its numbers is a business that accidentally leaks money all year long.

One small way to get your numbers back on track? Get your bookkeeping caught up and look at your P&L at least once per month. Let it guide your decisions for the next few months and see how it impacts your business.

2. The cost of doing everything yourself

Most entrepreneurs wait far too long to delegate. They think hiring support is a luxury instead of the thing that creates capacity for growth.

When you're overextended, overwhelmed and doing tasks that fall far below your hourly value, that's simply a very expensive choice.

Every hour you spend on tasks someone else could do cheaper is

an hour you're not generating revenue or leading the business. This cost slowly adds up.

Try delegating just one or two tasks at a time to a team member whose hourly rate is less than yours, and use your newly freed-up time to generate additional revenue!

3. The cost of poor systems

If your processes live inside your head, your business is already paying for it.

Inconsistent workflows lead to missed deadlines, customer dissatisfaction and expensive training processes for new team members.

Systems are the backbone of scalable businesses. Without them, every task is custom, every decision requires your brain, and your team never fully operates independently, constantly costing you in your time and your team's time.

Create just one or two new systems per month to start gaining some of that time and cost back.

Related: You Might Spend Unnecessary Money If You Don't Stay on Top of Your Expenses. Here's How to Manage Them.

4. The cost of outdated or poorly utilized tools

Software is supposed to make life easier. For many business owners, it just becomes another monthly subscription quietly auto-charging on the company card.

Hidden tech-related costs typically fall into three categories:

1. You're paying for tools you barely use — an expense with

no ROI

2. You’re using the wrong tools for what you actually need – an expense with limited ROI, while maybe adding extra cost
3. You’re using the right tools, but inefficiently – an expense plus extra labor cost

A quick check you can do is to pull all subscriptions that have been charged to your business account in the last six months. Go through each and look for things you aren’t using or things that are potentially duplicative. Really scrutinize each of these expenses and be convicted about cancelling the ones you don’t use, or hold yourself accountable to start using them within the next few weeks.

5. The cost of no marketing analytics

When a business owner isn’t tracking ROI, CAC or LTV, the marketing budget setting becomes guesswork, which is costly.

It is absolutely critical to get clear on your marketing numbers so that you aren’t throwing money at channels that are underperforming or are even losing you money. If you need to bring in a marketing analyst to help you with this, that choice will easily pay for itself.

6. The cost of underpricing

Most small business owners don’t raise their prices enough, or their prices don’t include all of their costs.

Make sure that your pricing is truly incorporating the cost of any input cost increases, labor cost that goes into delivery and any special-situation costs that don’t always occur but

should be considered in overall pricing over time.

Even a small miscalculation on pricing can tank margins, especially in low-margin industries like hospitality. Against the backdrop of an uncertain economy and changing prices, underpricing becomes a hole that is really difficult to dig out of.

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7. The cost of slow or inefficient sales operations

You'd be shocked at how many businesses lose revenue simply because proposals go out late, leads aren't nurtured and customers aren't given a clear view into next steps once they purchase.

This is purely a systems problem, and the good news is it's very fixable. Commit to improving your sales and marketing systems one at a time, giving yourself a deadline for each part, so you start to see measurable impact quickly.

I know these are a lot of costs – so what should you do about it?

Choose one or two of the above costs that resonate the most with you. Quantify the cost in your business, and take two or three actions to reduce it in the next month. Reap the benefits of those changes, and let it motivate you to do it again!

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