

Expense Reduction Analysts

Tips to Lower your Business Expenses & Improve Cash Flow – Short and Long Term

Presentation to the Irish American Business Chamber & Network, Inc.

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Agenda



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-  Impact of a Dollar Saved
-  Short Term:
 - Generate Cash Coming In
 - Slow Down Cash Going Out
 - Lower your Expenses
-  Long Term:
 - Top 10 Tips to Lower your Expenses
 - What Suppliers Don't Want you to know
 - Best Practices Overview
 - Cost / Expense Management Maturity

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Short Term

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Short Term: Generate Cash Coming In

Apply for grants and loans

CARES Act

- Paycheck Protection Program (PPP)
- SBA Economic Injury Disaster Relief Loans (EIDL)
 - 90% of all businesses could qualify for an SBA Loan
 - Examples: Apple, Ben & Jerrys, Chobani Yogurt, FedEx, Callaway, Intel, Tesla

Review Accounts Receivables

- Prioritize, follow up with overdue payments and negotiate payment plans
- Offer early payment discounts
- Sell Accounts Receivable to a finance company in exchange for an immediate payment

If shut/slowed down, look for ways to generate income

- Manufacturers: Can you convert to make PPE equipment / supplies
- Restaurants: Sell gift certificates (consider discounting)
- Auto Dealers: Review records, call customers that have open recalls, overdue service intervals
- Sell un-needed equipment/assets

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Short Term: Slow Down Cash Going Out

Request deferral or forbearance

- Loans / mortgages / rent
- Sales and property taxes
- Payroll Taxes (if no PPP loan)
- Utilities
- Health Insurance Premiums

Review Accounts Payable

- Review payment terms, ensure you are not paying earlier than necessary
- Set up electronic payments and pay on due date
- Prioritize, negotiate payment plans or extension of payment terms

Purchasing Card (P-card) and/or a Line of Credit

- Consider paying invoices with these
- Pay off in full to avoid interest charges

Example:

- Your payment terms with a supplier is net 15 days
- Propose paying your supplier with P-card in net 5 if supplier pays the card fees
- If P-Card has net 30 days payment terms, you pay supplier at day 5 and P-card at day 35 (gain 20 days)
- If you pay the P-card with a Line of Credit can potentially get another 30 days interest free

Future Purchases (Longer Term)

- Lease instead of purchase (monthly payments vs higher up-front cost)

Short Term: Lower Expenses

Insurance - review rating factors for liability, workers comp, and cyber Insurance

- Factors, such as sales/payroll influence your premiums
- Review and adjust them to the appropriate levels, mainly downward
- No penalty for undervaluing expected sales or payroll
- Most carriers have an audit feature that will obtain the correct values and bill at end of term

Review contracts for minimum purchase commitments

- Ask for lower charges or a credit on unused minimums
- Potential categories:
 - Printers / Copiers
 - Uniforms
 - Waste Management

Review other expenses

- Rent - Negotiate lower rent payment in exchange for longer lease
- Discretionary Expenses - Cancel cable TV for empty reception room, cleaning services, etc.
- Credit Cards - If you are paying interest on a credit card balance, transfer to new card offering 0%
- Mortgages - refinance at lower rates

Staffing

- Reduce Staff Hours
- Pay cuts
- Furloughs or layoffs
- Permanent work from home policies to reduce office space (Longer Term)

Long Term



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How Much is a Dollar Saved Worth to You?

| | Today | 20% Indirect Cost Reduction | Equivalent In Income |
|-------------------|----------------|-----------------------------|----------------------|
| Revenue | \$ 100K | \$ 100K | \$ 140K |
| Direct costs | \$ 35K | \$ 35K | \$ 49K |
| Labor costs | \$ 35K | \$ 35K | \$ 49K |
| Indirect costs | \$ 20K | \$ 16K | \$ 28K |
| Net profit | \$ 10K | \$ 14K | \$ 14K |

A 20% cost reduction = 40% increase in Net Profit

\$4K in expense savings = \$40K in revenue

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ERA's 26 Years of Experience with over 20,000 client projects tells us:

**Most companies are still leaving 10%-30% on the table
across large expense categories**



***What could Your Company do with an additional
20% added back into your budgets?***

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- 1 Analyze current spend**
 - Data for 12 months by vendor
 - Prices by location
 - Check for billing errors
 - **You may be surprised!**
- 2 Gather and review existing contracts**
 - Evergreen clauses
 - Termination clauses
 - Rebates/Discounts
- 3 Develop a strategy and act!**
 - Which categories
 - Who will do the work
 - **Time is money!**



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10 Tips to Reduce Your Expenses



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- 4 **Understand the market**
 - Acceptable suppliers
 - Benchmark pricing
 - Terminology, market trends
 - Technology improvements & alternatives
- 5 **Challenge the status quo**
 - Can you change your process
 - Can you change the product or service
 - Can you (or will you) change suppliers
 - **Operational changes can drive big savings**
- 6 **Define your key non-price requirements**
 - Technical or Quality Specifications
 - Support and Service
 - Important initiatives (Green, Diversity, etc.)
 - **It is not all about price!**

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10 Tips to Reduce Your Expenses

- 7 **Go to Market on a regular basis**
 - Create competitive tension
 - Follow procurement best practices for RFP (Request for Proposal)
- 8 **Develop strong relationships with your suppliers**
 - Treat suppliers fairly
 - Collaborate / innovate with suppliers
 - Help the supplier lower their costs to service you



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10 Tips to Reduce Your Expenses



- 9 Monitor and measure**
- Monitor invoices for accuracy
 - Verify price changes
 - Watch for off-contract purchases
 - Report progress

- 10 Change the Culture**
- Embed a mindset of effective cost management
 - **Engage your employees!**
 - Spend company money like it is their own
 - Know the business impact of savings
 - Consider rewarding for cost savings ideas

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Misconceptions and Challenges

What suppliers don't want you to know

- Suppliers don't always give the same pricing to similar clients and customers
- Supplier loyalty can translate to complacency and allow margins to increase
- Strong-arming suppliers may lead them to start with higher pricing
- Technology improvements may lower a Supplier's costs, but they may not automatically pass this to their customers
- Contracts can help get you lower pricing but they can also lock you in during a down economy. Renewal clauses should be carefully reviewed
- Group Purchasing Organizations or National Price Agreements don't always translate to lowest pricing for you
- Every invoice should be reviewed for accuracy, pricing fluctuations, and understanding of all ancillary fees

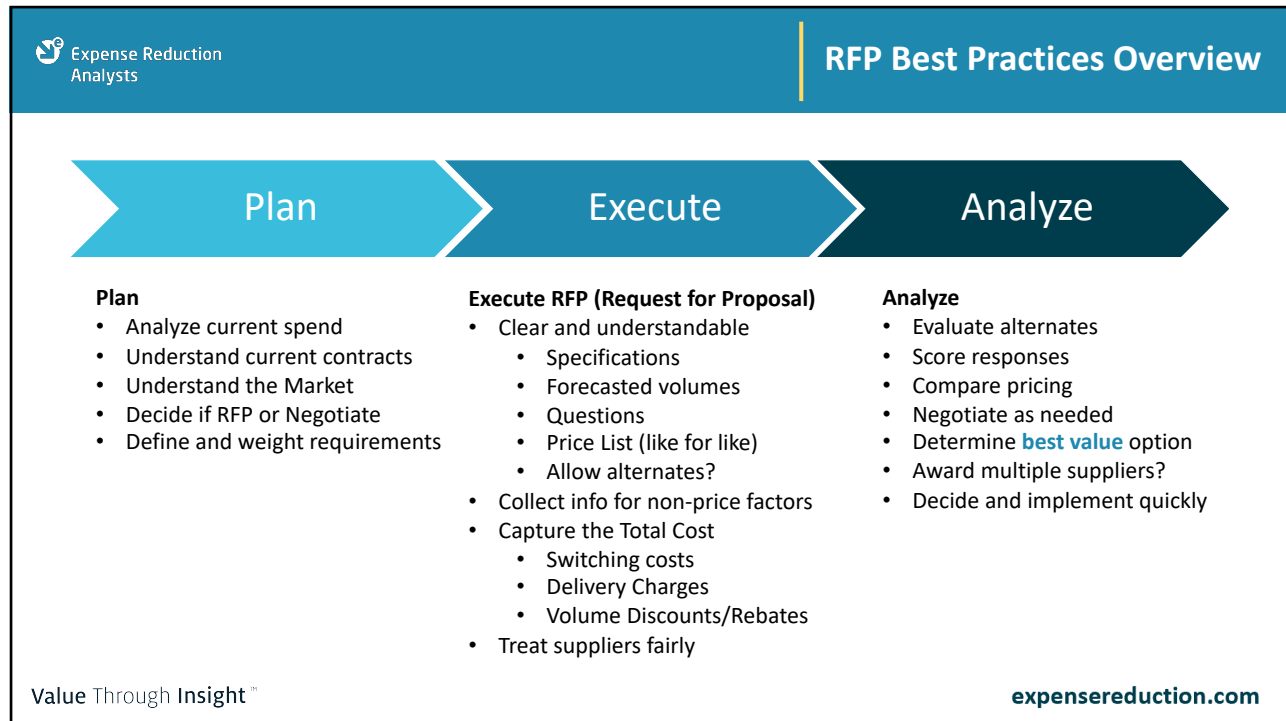
Business Challenges

- Multiple suppliers and multiple order points
- No benchmarking data – what does 'good' look like?
- Staff and management have limited time
- Employees with limited buying experience left making buying decisions

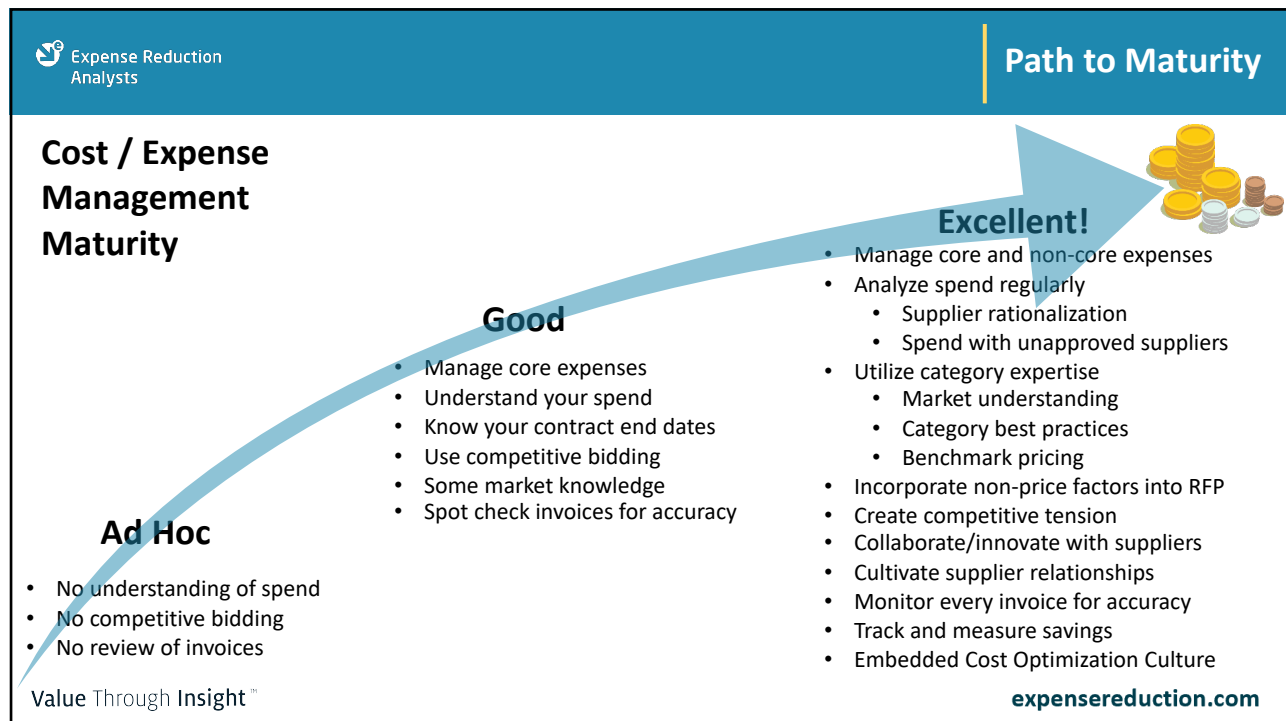
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Questions & Answers



Whitepapers Available:

- Creating a Culture of Cost Optimization
- Becoming Best in Class
- Pharmacy Trends Affecting Healthcare Providers
- Addressing Changes in Post Acute Care


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Ed Flanagan - Background

- Principal Consultant at Expense Reduction Analysts**
 - ERA is a worldwide leading specialist for Cost and Supplier Management.
- Over 30 years of experience in Financial Management:**
 - Since 1992, ERA has helped thousands of organizations of all types and sizes find savings hidden in their non-core expense categories ("overhead", such as office supplies, insurance, small-package freight, etc). No matter how much you have saved through your own cost-cutting efforts, we are still routinely able to find meaningful savings ON TOP of the savings our clients have found. I have recently conducted projects with savings between 18 – 45%.
 - Auditor, Controller & CFO of residential & commercial Construction and development communities
 - CPA with a B.S. in Accounting from Mt. Saint Mary's College in Maryland and a M.B.A. in Finance from LaSalle University.



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Who we are

Value Through Insight™

A worldwide leading specialist for Cost and Supplier Management.
The **Insight** of a global network. **Value** provided to your business.

FREE Offer:

Based on our relationship with Expense Reduction Analysts (ERA), a global firm that focuses on finding additional cash flow for companies from their supplier base, above and beyond what internal procurement organizations can do, we are in a position to use their knowledge base, at no cost to you, to do a quick scan to see if there is significant cash being left on the table at your company, and if there is, where it might be, how much, and how you can get it back funding more company initiatives.

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