

Newsletter: Cost Containment Specialists Article 15
April 2009

Summary

How do you really know unless a "third party" performs an analysis of your suppliers? Set a benchmark for all your expense categories and you will have the confidence you are doing everything to achieve continuous improvement for company profits.

Are You Making 2009 a Better Year?

Time and time again, colleagues, clients and suppliers speak to us of their challenges in continuous improvement in company profits. Restructuring and competition in all industries are making sales price increases almost nonexistent, with price decreases more common. Sales and volume growth are becoming more difficult. You refrain from adding staff unless there's an immediate favorable impact on the bottom line.

- **How**, then, can you achieve profit and growth? Two words: Cost Containment. I know, you've heard and read it all before. However, I am amazed at dollars I see which can be delivered directly to the bottom line with painless changes in thinking or procedures. Here are a few tips for making 2009 more profitable:
- **Analyze** and understand your chart of accounts. Often, small expenditures are recorded into miscellaneous accounts, and "lost forever." Many of these expenses can either be reduced significantly or eliminated completely.
- **Create** incentives for cost containment improvement. If your staff is adequately trained in expense reduction techniques, this can be a valuable resource to improving the bottom line.
- **Negotiate**, Negotiate and Negotiate some more. In an environment of low inflation, price reductions from suppliers for overhead and raw material are becoming very common. Never take for granted that an expense is too small; the old saying, "there are very few areas in which to save a million dollars, but there are a million areas in which to save a dollar" still applies.
- **Make** sure your authorization processes designate limits you are comfortable with. I often observe blanket purchase orders which get "renewed" on an annual basis.
- **Bring** in a contingency fee cost containment firm to validate that you are receiving the very best pricing/services mix.

Gary Friedman is President of Cost Containment Specialists. Cost Containment Specialists is a cost management-consulting firm that works with clients on contingency fee-based assignments, no fee until savings are identified and implemented. For more information, call (937) 660-5368, or email info@cost-containment.com.