

FIVE WAYS TO SAVE MONEY NOW



Yes, the economy is rebounding and people are spending more freely. But that doesn't mean you shouldn't implement some smart money-saving strategies to beef up your growing bottom line.

BY TAYLOR YU

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Today, in spite of an economy on the upswing, many suppliers are still searching for ways to reduce expenses. Especially given the size of many companies in the advertising specialty industry, most of these suppliers are also trying to decrease costs without necessarily decreasing headcounts. Here are five targeted strategies your company can use to save money and jobs.

Renegotiate Tech & Telecom Contracts

Businesses have become increasingly reliant on telecommunications and technology at all levels of operation. As a result, a company's IT bill may represent a substantial percentage of its overall operating budget, and is more than likely one area where costs can be reduced for many companies. Kathleen Brush, business consultant and former CEO, suggests a straightforward approach to lower telecom and tech costs. "Many times, contracts and relationships with vendors can be used to request discounts," she says. "But they don't just give discounts away – you've got to ask for them."

Another effective way to reduce technology costs is to bring in a firm which specializes in contract evaluation. Kevin Potts, vice president of marketing and product management at Emptoris, a leading supply and contract management company, explains, "When you go to buy a car, there's certain things you do that are considered to be good 'standard practice.' There's actually a kind of good standard practice for buying services from vendors, as well. Our software embeds these 'best practices' into the steps of the process. Essentially, we try to lower the cost associated with buying goods or services."

Emptoris' software serves as a platform where companies can shop around for different rates on any number of different services. Not only does this allow suppliers to compare rates and offers from different vendors, it also lets the vendors competitively bid for your business. "With our software, vendors can see what other competing bids have been submitted to you, though they are though not allowed to see the other bidding vendor's names ... companies can save a lot of money with competitive bidding," Potts says.

Steve Reifel, president of Cost Containment Solutions Inc., stresses the importance of contract negotiation, but also the follow-up afterwards. "Our goal is to identify whether or not our

clients are receiving the most benefit from the services they're paying for. One of the ways we can do this is by going back over old contracts – many of the costs we help recover come from improper implementation of contracts," he says.

Third-party cost-recovery firms are able to efficiently identify areas where companies could be saving money, as well as give advice on how much specific services are really worth. "We know what many services should be costing businesses. As a result, we can use these benchmarks to help companies better understand what their costs should be and help them stand in a better negotiating position," Reifel says.

The key to this type of cost-recovery is comprehensiveness. "We make sure no stone is left unturned," Reifel says. "It can be tedious and time-consuming to perform a complete bill analysis, and most companies simply don't have the time, resources and specialized knowledge to extract the most savings."

While it's possible for your company to attempt this kind of cost-recovery, Reifel notes the importance of continuing to enforce contract agreements after negotiations are through. "It's important to have a specialized skill set, specialized knowledge, to be able to navigate the numerous stipulations and surcharges that make up contracts. We not only help companies cut costs, but we check

later that the costs are really being cut in practice," he says.

Potts describes the ongoing benefits that can come from working with a cost-recovery firm. "The true value of that type of software is the sustainability year over year – not just decision analysis but also decision support," he says.

Renegotiate Employee Contracts

Cost-cutting can be a difficult subject to tackle, because it often signifies the potential need to let someone go. The fact of the matter is that for many companies, reducing headcount means huge potential savings. "Cutting personnel is the best place to start for many companies," says Scott Siegel, president of R.S. Owens and PictureFrames.net.

But there are ways to reduce personnel expenditures without reducing personnel. Renegotiating contracts with current employees can be a very effective way to bring down costs. Brush suggests asking employees to take a pay reduction, with the promise of more compensation when times are better again.

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MEL ELLIS, HUMPHREYLINE

Nobody likes hearing that their salary or benefits are going to be reduced, but if your employees understand that these types of cuts are a necessity for the solvency of the company, and that all levels of the company are being affected, they'll be much more likely to respond positively. "You also need to explain to employees what else you're going to do to preserve the company on a larger scale, besides just cutting their pay," Brush says.

Vicki Hamilton, a business consultant, stresses that if you're in the process of renegotiating contracts, you must "let employees know that to go forward without laying people off, they must take some ownership of the cost-cutting measures."

Richard Hadden, coauthor of the critically acclaimed *Contented Cows* book series, stresses that everyone must take ownership of the cost-cutting measures: "Senior officers need to take a disproportionate amount of the pay cut," Hadden says. "It's a matter of credibility – you must show that you're doing everything you can for the company and your employees."

If you decide that contract negotiations are the way to go for your business, approach the situation delicately and be prepared for some potential backlash. "Renegotiating current employee contracts can be difficult, and could lead to a situation that may be difficult to resolve," Siegel says. "The last thing you want is a key employee with a bad taste in his mouth."

Mel Ellis, president of HumphreyLine, agrees, saying, "When the economy gets better, you want them to be loyal to your company, and not feel as though they were exploited."

Emphasize Employee Wellness

Especially in the last decade, it has become obvious to companies that one of the keys to a thriving business is keeping employees healthy as well as happy. Laura Brown, director of Intuitive Wellness, says, "As the cost of health care continues to rise, managed care, cost-shifting to employees and reducing benefits are no longer controlling costs effectively for organizations. The new alternative strategy is to improve the health of employees so that less medical care is required."

According to Layne Kertamus, president of NegotiGator, an empowerment services training and consulting company, "If we look beyond the surface explanations behind rising costs we find that aging workers (which we can't do anything about) and lifestyle issues account for a significant hit to the employer's cost. The second factor is very controllable."

The idea is to instill among your company culture a lifestyle attitude that is healthy. "Wellness programs that address nutrition, cooking and food choices provide a proven defense against chronic illness. The other components, such as exercise, screening, awareness and so forth, combine to provide a well-rounded prevention program to increase health and wellness while reducing the need for medical and pharmaceutical interventions," Brown says.

Although the savings that companies will gain may not materialize immediately, a properly implemented employee wellness program will have long-lasting benefits for your employees as well as your company's bottom line. Before insurance companies will be willing to lower premiums, your company may have to demonstrate its commitment to employee health.

"My recommendation is that companies implement such programs as a first step. The insurer will not usually give a big discount just because there is a program in place. Once the program has been in place for a year, I recommend aggressively negotiating the premiums downward on the basis of having a program in place that is working," says Kertamus.

Carol Harnett, benefits columnist at *Human Resource Executive Online*, emphasizes the importance of choosing a wellness program that will fit your company's specific circumstances. Companies with higher turnover rates will need to approach wellness differently than businesses that retain their employees for significant periods of time. "If you want to lower your business' health-care trend line, you need to go about it in an informed way," she says.

For instance, smoking-cessation programs or exercise/physical-health programs typically require several years of

Shave Your Overhead

The economy and the industry are rebounding for sure, but here are some cost-cutting strategies to get the most out of the financial resurgence:

- Reevaluate your telecommunications costs. Renegotiate with your current company, or shop around to find the best rate possible.
- Use cost-recovery and contract management firms to maximize your potential savings on services.
- Renegotiate contracts with employees, as an alternative to laying them off.

- If you impose pay cuts on your employees, don't forget to take some for yourself.
- Implement an employee wellness program that will improve the health of your staff as well as your company's bottom line.
- Actively search for the best rate for your company's health-insurance plans.
- Get your employees (and yourself) involved personally. Help them understand that their efforts do make a difference and contribute to the company's well-being.

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involvement before they show tangible results. On the other hand, wellness initiatives like providing all your employees with flu shots or setting up counseling services for employees going through difficult times *outside* of work have immediate benefits. “An employee’s mental health, state of mind and life satisfaction have a huge impact on their health-care costs,” says Harnett. “Happy employees tend to spend less on health care.”

According to Kertamus, employee wellness programs will do more than simply improve your employees’ physical health. “An important but collateral benefit is that a wellness program can be one of several factors that are associated with a highly engaging company culture. The level of employee commitment and engagement determines growth rates, profit attainment and strategic success,” he says.

Employers should also be aware that if they run a company of fewer than 100 employees, they may be eligible for grants from the U.S. Department of Health & Human Services that can be put toward implementing wellness programs that focus on stress management, smoking cessation, nutritional education or physical fitness.

Shop Around for Health Insurance

“Health-care costs are huge expenditures for supply companies,” says Ellis. It’s important to negotiate with your company’s health-insurance provider, and compare your rate with rates from other providers annually. “Competitive bidding gets you a better price, especially if the vendors know you’re shopping around,” Brush says.

Be aware that health-insurance costs can vary widely from state to state. If your business operates in three states, and you have three health-insurance plans covering your workers, try to negotiate with your provider to get the lowest rate applied to all three plans.

Hadden suggests that companies “take a hard look at benefits, and find out what benefits are really important to employees – health benefits, dental plans and other benefits. Ask if some employees might be willing to be placed on higher-deductible insurance plans.”

Ellis cautions that cuts to these types of benefits must be done carefully. “Once a benefit is out there, it becomes an entitlement. When you look at reducing benefits, employees must feel like ‘We’re all in the same boat.’ They have to know that any cost-cutting you’re doing is vital to the organization’s success,” he says.

Get the Employees Involved

Another simple tactic for reducing costs across the entire board is to get the employees involved in the cost-cutting. For example, you can say to them, “We need to cut costs. What can we cut, and what should we definitely not cut?” Getting employee input about where to cut costs will not only give you a better idea of what is and is not essential, but will also help you understand what types of cuts your employees would not support.

Hamilton suggests, “Start at a grassroots level and say, ‘I need all of you, individually, to cut X from your monthly budget.’ This then allows each person to cut what they can, where they can, and involves them in the day-to-day work of cutting costs.”


Hadden adds that leaders can also “give people incentives to cut costs. Offering to distribute a certain percentage of savings to employees demonstrates that you aren’t just trying to beef up the company’s bottom line.” You could also lay out a cost-cutting goal that, when your employees meet it, has a prize attached to it, like a new TV for the break room, or an extra paid vacation day.

Brush says, “Don’t let people take advantage of office freebies. Coffee, tea, snacks and other items should only be used while at the office. Often just telling your employees to be reticent of how they use office supplies will reduce their consumption.”

All of these strategies are about getting your employees to truly embrace and take ownership of the cost-cutting happening at your company.

Good Times & Bad

Cost-cutting has often been stigmatized as the product of misguided management or the manifestation of unchecked corporate greed. Instead, it should be understood as a restorative process – beneficial, like pruning an orchid. Cost-cutting should be an ongoing, evolving practice for every company – even healthy, financially stable ones.

“Sometimes companies put more effort into generating profits than driving down costs,” Siegel says. “But really, companies should always be practicing cost-cutting. We all get complacent when times are good; it’s a lot of work to pay attention to all the details, but it’s worth it.”  

Taylor Yu is a business journalist based in Los Angeles and a frequent contributor to Supplier Global Resource.

Use third-party cost-recovery firms to identify areas to save money.