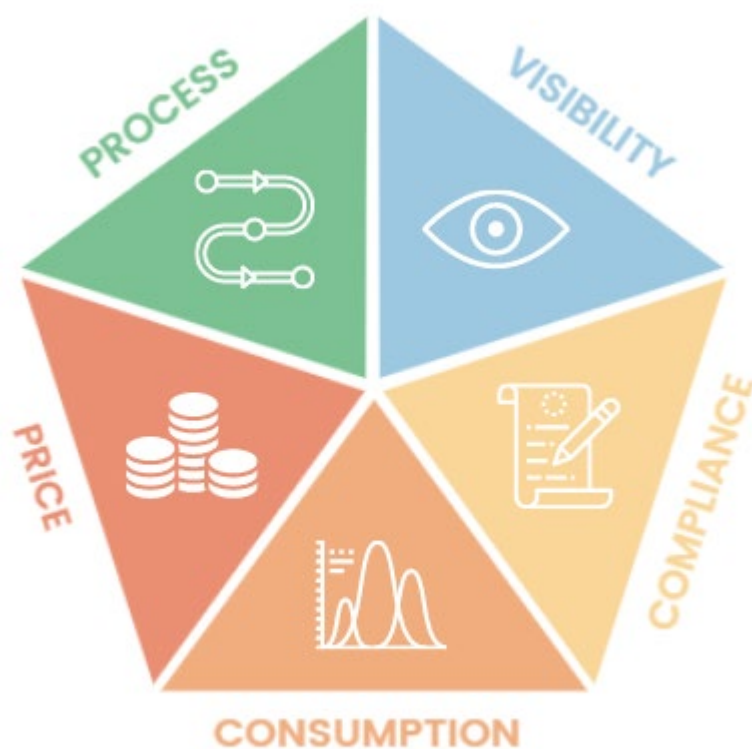


5 LEVERS FOR SUSTAINABLE COST OPTIMISATION

INDEPENDENTLY, EACH LEVER SAVES MONEY
COLLECTIVELY, THEY OPTIMISE COSTS AND OPERATING MODELS.

Historically, businesses have managed costs through uncoordinated technologies and processes, supported by tactical initiatives when budgets need to be squeezed.

With competitors constantly innovating and new entrants changing the game, businesses today are taking more enduring approaches to cost optimisation and finding new operating models and efficiencies to release cash needed to fund innovation and growth.



Applying levers at the right time can lead to a sustainable
20-50% reduction in costs.

Barcanet has developed an approach using five key levers to optimise spend across any operating cost;

1. Visibility

Whether you run a multi-national organisation with disparate systems and de-centralised supply-base, or a sole-supply contract with complex commercial or operational terms, getting visibility of spend, usage and performance drives better decision making.

The visibility lever will;

- Centralise, and make visible, usage and cost data
- Bring transparency to complex categories and contracts
- Provide governance for your business policies

Giving the right insight, to the right people, at the right time enables simple, data-informed decisions.

2. Compliance

Errors in invoices or missed discounts accounts for up to 3% of the cost of goods/services bought. Some estimates put 'procurement fraud' at as much as 1% of a businesses turnover.

The compliance lever includes factors such as;

- AP and contract commercial terms compliance
- Governance over days-to-pay and early-payment discounts
- Identification of shadow/rogue spend

Finance and ERP systems deliver an element of compliance, but significant value is lost throughout the process. Pre-payment audit routines and insightful reporting retains cash and provides the mechanism to drive change across the organisation.

3. Consumption

Be that non-production, "We were paying £50,00 per annum on mobile phone services for people who had already left the business – some of them years ago!" or production, "We used 0.5% more in one factory than another, with almost identical outputs, doesn't seem a lot but the cost difference was £-millions per year".

The consumption lever also brings insight to make simple, data-informed decisions;

- Benchmarking internal usage and cost profiles
- Optimising assets
- Making users accountable

Generating the realisation of cost brings behavioural and cultural change. Users are in the best position to reduce costs and bring faster innovation to operating models.

4. Price

Over two-thirds of CPO's see cost reduction as a priority, and yet 84% are not satisfied with the levels of insight they receive.

Businesses need to recruit well and have a strategy for these procurement professionals to align with. Arming them with good, consistent data allows the team to negotiate and manage suppliers from a position of knowledge.

The price lever comes from;

- A suite of reports of spend and usage from all silo's across the organisation
- Insight to business and new product strategy
- Supplier performance and risk management insight

Procurement working as a business partner better defines the business objectives for the supply base, increasing agility, optimising costs and reducing supply-chain risks.

5. Process

Simplification and standardisation are two of the key words we hear repeated at almost every customer. But where do you focus resource where it really matters?

The process lever provides the business and change agents with insight to identify these areas and data on where best practice is being achieved;

- Benchmarking cost, usage, margin and ROI
- Identifying why rogue/shadow spend happens – what is the benefit?
- Identifying impacts across silo's

Some components of these levers are simple to implement, others require a more structured approach to sustain the benefits over the longer term. These benefits, however, can be significant and businesses investing in these levers can expect to see sustainable reductions of 20-50% of operating expenses for in-scope functions and categories.

To talk to us about any of the information in this blog, please contact hello@barcanet.com. We'd love to hear from you.