

# **There's More to Expense Reduction Than You Think**

Expense reduction is a complex exercise in the area of strategic thinking. Although it sometimes feels like a straightforward activity that involves beating down a supplier for better prices, it is much more complicated than that. Consider the well-known fact that nothing is free in this world. If you beat down a supplier on price, he is not simply going to hand you the discount without some reduction in service. For example, maybe he won't rush to get to your orders next time around. After all, he's not making much money off of your business anyway and when other more profitable business is pending, you get moved to the bottom of the pile. And let's face it, you might find yourself doing the same to one of your own clients in a similar situation.

You get the idea. It's not simply about beating a supplier down, there is so much more to reducing expenses and that's why it is complicated. Professionals that specialize in reducing expenses do not simply call on suppliers for lower prices; they work with them to ensure the tradeoffs for the discount don't affect the client negatively. They find those features a client is willing and able to live without. They also identify strategies for making more efficient purchases. Expenses are a two way street – on the one side you have the supplier, his products/services, and his price, while on the other you have the purchaser, his usage/consumption, and his processes for purchasing. Expense reduction professionals look at the entire situation and develop comprehensive solutions that significantly cut costs without sacrificing quality.

In addition, expense reduction professionals look evaluate a company's processes to find the opportunities for innovation in current operations as well as expanding the procurement team's reach in the company. By looking beyond the expenses, these professionals can help companies build processes for consistently keeping costs low and quality high

I am sure I don't have to explain that this level of strategic thinking also takes time. Developing comprehensive expense reduction solutions takes time, specialized skills, and experience. If a business chooses to undergo this process on its own, it must consider the trade off of employee time and effort dedicated to this endeavor. Furthermore, the business must decide if its employees are best suited for a particular type of expense reduction project. For example, when it comes to the direct inputs to the business's products and services, its employees are probably best suited for this activity because they already understand it well. However, when you embark on reducing indirect and consumable expenses, businesses have to ask themselves if they are experienced enough to truly get the best price/value mix. If your business is planning to undergo an expense reduction review, consider talking to an expense reduction professional to assist you.

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