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ERA WORLDWIDE

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ERA News is an in-house business information newsletter designed to keep ERA clients and analysts informed and aware of the ERA consultancy network. Although every effort is made to ensure that each ERA business receives accurate coverage in this publication, the editor is not responsible for any errors or omissions.

OUR MISSION

To serve our clients under a 'no risk' arrangement whereby Expense Reduction Analysts will improve client profitability by achieving cost savings and increased value on business expenses, without any reduction in quality and service.

ERA News

One ERA success leads to another at HP/Compaq

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As with many successful companies, the newly merged HP/Compaq team had confidence in their processes – but they were not over-confident enough to assume that ERA couldn't help. ERA started working with HP/Compaq shortly after the merging of the two companies, initially appointed by Jack Gargano, Finance Director, and Preeti Khushu, Accounting Services Manager, to conduct an accounts payable recovery audit. The purpose of this was to review historical supplier payments, to assess whether any errors had crept in, and if so, to recover any overpayments.

"We were confident that we had good processes in place," says Preeti. "However, we knew that the specialist knowledge that ERA provides could give us even more confidence."

Ian Thomas of ERA worked closely on-site with the HP/Compaq team and achieved an outstanding result.

"The level of errors was, as we suspected, very low," says Preeti. "ERA was, however, able to track them down and recover the funds on our behalf from the vendors. ERA also gave us recommendations on how to prevent a recurrence of the errors."

Following this project Jack and Preeti asked ERA to conduct a statement review on HP's largest suppliers. This work was carried out by Dean Bray and Ian Thomas and resolved a number of issues. ERA was also able to offer a range of recommendations to HP on process improvements following the transfer of AP to Bangalore.



L to R: Dean Bray, ERA; Preeti Khushu, Accounting Services Manager, Hewlett-Packard Australia; Jack Gargano, Finance Director, Hewlett-Packard South Pacific and Jeremy Gimson, ERA.

HP has also asked ERA to assist in other reconciliation projects. Most recently, Rob Tranter, Service Manager of HP's Commercial PC and Printer Products Division, has appointed ERA to monitor the compliance of HP's service partner invoicing with contract. It is anticipated that this work will pick up invoicing errors and generate significant financial benefits for HP.

"We have used ERA for a wide range of cost recovery, reconciliation, and auditing projects within HP for which we didn't have the internal resource," says Jack Gargano. "I have been delighted with the results of these projects and the financial gains they have provided for us."

ERA drives big savings for Alesco

A period of rapid expansion is an exciting time for a company, but it can result in cost leakage. When Alesco, a holding company for subsidiaries in the Building & Renovation, Mining & Construction, Scientific & Testing and Automotive industries, grew quickly through acquisition, its savvy directors realised that they needed a unified approach to expenditure in key areas.

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Stopping the courier runaround for 7-Eleven

Barbara Molloy no longer spends most of her days on the phone to courier companies, trying to get better service. As the person in charge of day-to-day courier dispatches for 7-Eleven Stores, Barbara welcomes the changes that ERA's Pam Walker and Steve Farrelly have brought to her working day.

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Cellnet grows, partly thanks to hidden savings

Can you always find savings, even in a company that prides itself on being cost conscious? That was the question facing ERA's Kevin Mercer when he was engaged in November 2003 by The Cellnet Group (Cellnet), a leading distributor in Australia and New Zealand of Mobile and IT technology to the reseller community.

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ERA drives big savings for Alesco



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A steering committee, chaired

by Neil Freeland and comprising the Group General Manager of each company within the group, as well as Alan Fonesca, CFO, Alesco, and Kevin Clarke, CEO, Alesco, identified those areas and looked at ways to take advantage of group purchasing power.

When it came to a review of Motor Vehicle Expenditure, an area in which they were spending around \$5 million on car leasing alone, they called in ERA. The ERA project team, consisting of Martin Wiesenhaan, and Pamela Mason, took a holistic approach to the problem.

“The key to a consolidated and accountable corporate policy that delivers long term savings is not only an analysis of the leasing situation, but an assessment of fuel, maintenance and insurance costs and processes in order to ensure benefits across the entire category,” says Martin.

Their first challenge was to reduce the nine incumbent lease companies across Australia to one.

“With nine suppliers it was hard for the client to monitor the number of car leases currently in place,” comments Pamela, “and of course there were inconsistencies.”

Once analysis of available data was complete, and the needs of the company identified, the ERA team assisted with the implementation of a new corporate policy whereby a preferred manufacturer and lease supplier were chosen and secured. The appointed lease company had the most competitive pricing and the best online report function.

The next step was to look at how fuel was purchased and again several fuel card providers were being used. One fuel card was then selected for the entire company to optimise on their buying power and to secure a more beneficial price point.

The final step was to centralise the insurance. “Insurance is often organised through the leasing company but if you arrange a corporate policy, further savings can be achieved, which is what we managed in this instance,” adds Martin.

“It was good to know that at all times ERA was representing our best interests no matter

which supplier they were negotiating with and because of this they were able to drive the deal that much harder,” says Neil Freeland.

“The major benefit of the project was the cost savings realised, the simplification as well as the standardisation of our processes on a very large motor vehicle fleet.”

In all, the ERA team was able to secure annual savings of \$600,000 for Alesco.

“These savings, achieved by ERA, far exceeded our expectations,” adds Alan Fonesca.



L-R: Neil Freeland, Group General Manager, Building & Renovations, Alesco and Pamela Mason, ERA.

Stopping the courier runaround for 7-Eleven



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Previously, 7-Eleven's head office in Mount Waverley had a bi-weekly courier system to help them keep

in touch with their many franchisees on Australia's east coast. Administration manager Gary Tocknell admitted to Pam and Steve at the outset that while the existing two suppliers generally served 7-Eleven well, “we do have customer service problems when things go astray – as they do”. Getting problems solved was proving time consuming – and that costs money! Also, as Gary pointed out, “We're not one of the bigger clients for either of our suppliers”, meaning that 7-Eleven tended to slide down the service totem pole at times.

In a joint South Australian/Victorian exercise, Pam and Steve researched the marketplace intently. As per ERA procedure, the pair endeavoured to ascertain exactly

what level of service 7-Eleven required and then sourced the best suppliers to meet that need. Negotiating the best rate is simply one step in the journey to savings: others include checking current negotiation procedures and how delivery priorities are set, implemented and processed; cross-checking the rates and process of allocation to cost centres; negotiating standard daily runs over and above the rate card, and more.

The company now saves more than 20 per cent on their courier expenditure, for almost exactly the same service. Best of all, 7-Eleven now has just one service supplier for all three states and enjoys a level of ongoing customer service befitting a large, important client.

As an example of that service, the new supplier took care to consult Barbara about her needs up front and addressed 7-Eleven's deadlines and past problems before implementation. These days, Barbara's calls

are put ‘straight through’ to where they count and she spends much less time just waiting on the phone.

For both 7-Eleven and ERA this epitomises ‘better value for money’.



L to R: Mike Phillips, Corporate Compliance Manager, 7-Eleven; Pam Walker, ERA; Steve Farrelly, ERA; Barbara Molloy, 7-Eleven and Gary Tocknell, Administration Manager, 7-Eleven.

Cellnet grows, partly thanks to hidden savings

savings achieved of \$247,000



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Cellnet (Australia) was established in 1992 and Collect

(New Zealand) in 1994. In October 2000, Cellnet acquired IT Wholesale (established 1988), a distributor of computer hardware and peripherals including IBM products. In July 2003, Cassa Australia, an importer and distributor of a specialist range of IT products, was acquired by Cellnet. ERA was brought on board to provide a review of overhead costs across the publicly listed group.

"Cellnet has always been very cost conscious and I knew extracting additional value was going to be a challenge," says Kevin. "However, I was confident that the detailed methodologies we apply would find extra value for our client."

After reviewing the profit and loss account with the General Manager, Finance, ERA performed a "Health Check" Report, which identified expense categories with good potential for further investigation.

The report was presented and Scott McLennan, Chief Financial Officer, agreed that ERA should review Cellnet's Telecommunications, Freight, Local Couriers, Office Supplies, Marketing Print and Internet Services. Kevin and his team of Queensland

ERA specialists, including Brett Hay, Terry O'Keeffe and Peter Trandafilovic, then set about generating savings for Cellnet.

"I found the process enlightening as it helped us to understand our business costs much better and the time and effort required was no more than I expected," says Scott McLennan.

Cellnet is a customer-focused organisation so it was very important that customer service and presentation issues were always considered when reviewing purchasing arrangements and processes. Even so, after detailing the current procurement practices and processes and testing Cellnet's category profiles in the market, total savings of \$247,000 were identified. In addition, further savings of \$26,000 were picked up during the investigation stage as a result of historical Supplier invoicing errors.

"We entered into the arrangement hoping in one way there wouldn't be too many savings found, so that we would know we were efficient," says Scott. "In this case, the savings were considerable. Still, we consider this a good result for us – after all, it's great to get some money back!"

Cellnet's recent profit announcement (August 2004), showed revenue growth of 40.3% and a 40.1% increase in after tax profits compared to last year. ERA's savings of \$247,000

represent a 3% contribution to their after tax profits of \$9m.

The focus has now turned to Freight Management Processes and potential improvements in the supply chain to the end customer. Proving once again that savings are usually possible!



L-R: Brett Hay, ERA, Scott McLennan, CFO, Cellnet and Kevin Mercer, ERA.

ERA goes west

Perth, WA, is proving to be big business for newly established ERA team Avo Carreira and Ruth Cohen.

"ERA has acquired a number of prestigious clients, and there is keen interest in our 'no risk' policy and the variety of cost categories that we are able to review," says Avo. "Perth is a small market, with many players in each market segment, and clients are utilising ERA's service to improve profitability."

Ruth's background includes marketing and sales, running her own business, and a 15-year tenure as Executive Director of the West Australian branch of an international

fundraising organisation. She holds an MBA, has also studied for a Leadership Diploma from UWA, and has completed an international advocacy course. Ruth has also been involved in the establishment and marketing of telecommunications' businesses, and specialises in this cost category for ERA's clients.

Avo is a CPA with more than 20 years' experience in senior financial management positions in large and medium-sized companies locally and internationally. He has worked across a variety of industries, with an emphasis on manufacturing and distribution,

citing strategic planning, business planning and business improvement projects as particular areas of success.



L-R: Avo Carreira and Ruth Cohen

Higher savings in labour hire

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Traditionally, ERA does not include labour savings in its portfolio of practices, but sometimes circumstances facilitate change. When an opportunity arose recently in the casual labour category for Lismore City Council, NSW, ERA's Brett Hay and Gordon Rhodes were well-placed to capitalise on it – after all, both have had past experience managing recruitment companies.

The Council was looking to review its casual labour hire operations. Brett and Gordon met with Rino Santin, Manager Finance & Administration, who was impressed with the ERA concept and introduced the team to the HR Manager, Isabel Perdriau.

Calling on the resources of the contracts officer, Chris Allison, to assist with the regulatory requirements of local government, Brett and Gordon were able to complete a full assessment. They discovered that the use of multiple suppliers was creating a plethora of processes, invoices and data transfer, without providing Council with meaningful information. Once all processes had been mapped, a complete outline of requirements was designed, and then tendered to the market.

Several potential providers responded to the tender, and, after a lengthy and detailed assessment, a short-list of three was produced. Each of these then presented their proposal to a review panel.

Once a supplier was selected, an implementation program was developed to ensure all stakeholders were aware of the change, and its associated benefits.

"I was very impressed with ERA's professionalism and attention to detail, as well as their tenacity to implement prescribed solutions," says Rino. "For what was a very large and complex project, I always felt as though I was fully informed at all steps along the way."

ERA's work achieved an overall saving of more than 11 per cent, providing much needed additional funding for several other projects. This success has led to work with other councils in the area, and the team is looking forward to similar results.



L-R: Rino Santin, Manager Finance and Administration, Lismore City Council; John Eddy, Acting HR Manager, Lismore City Council; Sue Miller HR Officer, Lismore City Council and Brett Hay, ERA.

Introducing ERA Insurance Services

A new era in insurance management



Ken Armstrong, ERA Insurance Services

ERA has established a new insurance service to help safeguard Australian businesses from insurance broking "fee fixing", "market service agreements", "contingent commissions", "steering" of business and the "shielding" of insurers.

ERA Insurance Services will "audit" your insurance broker's activities to ensure that your account has been diligently reviewed.

Every year your broker will tell you that he has "marketed" your account and you have the best arrangements - but has he really?

Has your broker declared all his

commissions and fees to you including any contingent commissions he may have received?

Have you compared your premium and fees against industry benchmarks or have you simply believed that you are being well looked after?

Have you, year after year, just accepted your broker's word that you are saving the maximum amount and have the best possible covers?

ERA Insurance Services will audit the marketing of your account each year, compare your premiums and fees to industry benchmarks and only charge you a fee if genuine savings are made. The fee charged by ERA will never exceed fifty percent of the real savings.

Only by using a service such as provided by ERA can you be sure your account is globally marketed and all fees and commissions are declared and compared with industry benchmarks.

Opportunities exist now to reduce premiums and save money

Your insurance broker may have informed you that the sharp rise in premiums is because of several factors: September 11, the collapse of HIH, concentration in the industry reducing the number of insurers, reduced market capacity, etc.

All these reasons are true, however there are still many opportunities to minimise your insurance costs without the need to necessarily change your insurance broker. Allow us to manage the process for you so that your time can be more effectively used.

Guaranteed premium savings or no fee

The use of ERA Insurance Services is at no risk to you. As with our other cost management services, we offer our "no savings – no fee" guarantee.

Unless we make you genuine savings we will charge you no fee. Alternatively, a fee for service can be provided at the client's choice.

ERA – a new era in insurance management. We look forward to working with you.

For more information on ERA Insurance Services call (03) 9863 7466 or visit the website www.erainsurance.com.au