



# ERA News

EXPENSE REDUCTION ANALYSTS' BUSINESS NEWSLETTER

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## ERA WORLDWIDE

### OFFICES

Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Colombia, Ecuador, France, Germany, Ireland, Italy, Mexico, Netherlands, New Zealand, Portugal, Singapore, Spain, Taiwan, United Kingdom, Uruguay, USA.

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.

## McGrath's brief to ERA. "Save us money but don't compromise on quality"

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When McGrath, Sydney's pre-eminent real estate agency, approached ERA the brief was simple: 'Save us money, but don't compromise on quality'.

Started 15 years ago by John McGrath, McGrath Estate Agents has a well-deserved reputation for top quality service. When McGrath's senior management predicted a likely easing of the residential property market, they decided to take a close look at key components of the company's overhead cost structure.

Dan Rohr, McGrath's Chief Financial Officer, had worked with ERA in the past in his role as CFO of ecorp, a stockmarket-listed holding company with a range of Internet-based operating companies. ERA had achieved outstanding results for one of these companies, Ticketek.

Given this result and ERA's commitment to cost management without loss of product or service quality, Dan called ERA's Jeremy Gimson, who had worked with his team on the Ticketek project.

"I asked ERA to work on merchant fees, office products, office cleaning, couriers, and our range of printed products, the most significant being our high quality advertising magazine *McGrath*," says Dan. "My brief was clear: save us money but don't compromise on quality."

The team was quickly assembled and, led by Katrina North (Corporate Services Manager McGrath) and Robin Dunlop (Client Manager ERA), work commenced. The ERA team comprised individuals with skills that matched McGrath's needs: Colin Rymer (print) and Alex Latham (office products) joined Robin and Jeremy to deliver excellent results.

"As with the previous work ERA did for me, I was very impressed with their attention to detail in the early stages of the project," says Dan. "ERA worked closely with the McGrath team and gained an excellent understanding of our needs."

The *McGrath* magazine was one area where significant savings were delivered, enabling McGrath to use the benefits to increase the magazine's distribution without increasing costs. The benefit is passed to McGrath's clients who have a wider market for their properties.

Colin Rymer quickly assessed that a different approach to printing the weekly magazine was needed. Having taken the work to market, Colin recommended that his client consider an alternative printer who would not only give the McGrath marketing team greater production flexibility but also offered dramatic cost savings. All without compromise in quality! Excellent results were also achieved in the general print, couriers and office products categories.

"We knew that this was going to be a challenge for ERA," says Dan. "Given my previous experiences, however, I felt confident that they would give me the results I wanted. They didn't let me down."

For Robin Dunlop, the excellent results stem from solid teamwork. "The input and support from Dan's team at McGrath were critical," he says. "There were hurdles to overcome, as there always are, but McGrath's culture enabled them to focus on the solution rather than issues, hence the outstanding results."



L-R: Dan Rohr, Gaye Templar and Katrina North of McGrath and ERA Consultants: Colin Rymer, Robin Dunlop and Jeremy Gimson.

*ERA is as active in regional Australia as it is in metro.*

*In this issue we share three case studies from the NSW and Queensland teams who came together to successfully achieve some great savings for their clients.*

## New communications network saves long-standing co-op *big bucks*

The rich agricultural traditions of the dairy farming land around Lismore, on the far north coast of NSW, meet the 21st century head-on when it comes to telecommunications. Norco Co-operative Limited has been a major player in the Australian dairy industry for more than 100 years. Today, Norco is a dynamic organisation with interests in Ice Cream, Rural Stores, Milk and Cheese. Those interests engender sophisticated requirements in telecommunications. The network of milk processing and storage facilities, an ice cream factory, and more than 24 rural stores, requires a complex telephone system, a large number of mobile services and a data network to despatch and receive a significant amount of information, both voice and data.

There came a time, however, when the company decided a review of its utility services – telecommunications and electricity – was required. Enter the ERA team of Dudley Dennis and Brett Hay.

“ERA spent a considerable amount of time understanding our requirements and endeavouring to provide a solution for all of them,” says Llew Hill-Lewis, Manager –



L-R: Brett Hay of ERA, Llew Hill-Lewis of Norco and Dudley Dennis of ERA.

Management Information Systems for Norco. “I was very impressed with how hard they work – day and night!”

Once the requirements were agreed upon, a tender document was prepared and put to market. It drew responses from all the major Telco providers, as well as the data specialists. The final decision, due to technology limitations, was to split the supply between data, voice and mobile, but this may change in the future.

“The project produced a rationalisation of several redundant services, as well as con-

siderable savings to our bottom line,” says Llew. “We were very happy with the outcome and ERA’s professional approach to a subject that I, for one, could not have tackled on my own.”

When it came to Norco’s Electricity requirements, Dudley and Brett worked with Elvin Robb, Team Leader, Engineering. They completed a study of the needs of all facets of Norco’s operations, spread all over northern NSW and south-east Queensland. Dudley’s specialist electrical engineering skills and knowledge, acquired through his career with Toronto Hydro in Canada and Energex, one of the major suppliers of electricity in Australia, were extremely helpful in understanding Norco’s complex requirements.

The project identified several options and initiatives that, together with other energy management initiatives, will be implemented later in 2005. With problems in the major utilities addressed, Brett and Dudley are looking forward to finding further savings for Norco across other areas of its extensive operation.

## Improving the economics of casual labour

labour hire rationalised to one supplier with 10% saving



ERA’s success in assisting the bottom line at Lismore City Council drew the attention of another council in the area. Kelly Lee, Human Resources Risk Manager for Ballina Shire Council, was contacted by ERA’s Brett Hay and Kevin Mercer and engaged to review the labour hire of the council’s casual workforce.

Ballina Shire Council uses around 20 casual workers in the areas of Waste Management, Parks and Gardens.

Kelly had previously tried labour hire, using a shared services concept and drawing from several providers in the region, but without success. She was keen for the ERA team to source a reliable supplier who could meet all their needs, across the diverse sections of Council.

“The previous system of using multiple agencies had merit in principle, but it lacked practicality,” says Kelly. “We were seeking a solution at the time that ERA contacted us, and, on the basis of their success elsewhere, we decided to see how they could assist us.”

The first step, as always, was to define Council’s requirements.

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# ERA's review of club sees costs reduced by 20%

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Changes to taxation policy and new anti-smoking regulations have had a huge impact on the Clubs industry of NSW. Steve

Bortolin, General Manager of the Lismore and District Workers Club (LDWC), recognised the effect that the introduction of higher poker machine taxes and the anti-smoking legislation would have on the LDWC's profitability, and decided to act early to redress the situation.

The LDWC was established in 1954, and comprises three club venues: The Lismore Heights Bowling Club, The Lismore Golf Club, and the Lismore Workers Club. Part of the Club's business plan for 2004, the club's 50th anniversary year, was to investigate new ways to generate revenue, or reduce costs, across all three venues. ERA approached LDWC in April 2004 and was quickly engaged by Steve to review the full range of the Clubs' costs.

The ERA team – Brett Hay and Kevin Mercer – began by reviewing the Club's P&L account, identifying several categories for closer examination in the process. To date, the team has investigated the following categories: Insurance, Audit Fees, Telecommunications, Office Supplies, Annual Report Costs, Waste Management, Poker Machine Maintenance and Merchant Card Fees. Bar and Catering costs are currently under review, with Cleaning and Energy to be possibly looked at in the future.

So far, ERA has identified annual savings of \$100,000 or 20 per cent.

"The results were very surprising," says Steve. "Supporting the local community and our members are key criteria when choosing our suppliers. ERA was able to satisfy the requirement and still generate good savings."

Savings have resulted from both price reviews and process improvement. The cost of the Annual Report, for example, was



L-R: Kevin Mercer of ERA, Steve Bortolin – General Manager (seated – front) and Steve Fletcher – Gaming Manager, Lismore & District Workers Club and Brett Hay of ERA.

reduced by 26 per cent by standardising the layout, reusing previous artwork, and streamlining the mailing and distribution processes. Merchant Fee and ATM rebate savings of 200% were found by redesigning the internal cash handling process and turning a \$15,000 expense into a \$15,000 income stream.

The results to date have had a significant impact on the Club's profitability.

"The savings will help substantially towards the Club's requirements to meet the increased taxes and plug any revenue impacts from new regulations," says Steve.

## Improving the economics of casual labour (cont'd)

"I was impressed with the detailed approach that ERA took to the analysis," says Neil Smith, Purchasing / Contract Officer, Ballina Shire Council. "With ERA's decision-making software (ERADMAX), all Council stakeholders applied their requirements, which were then used in the analysis and selection of suppliers. It made the whole process very simple and efficient."

A tender was released, based on Council's requirements, and it drew responses from some 15 suppliers around Australia. Each was individually assessed, before a short list of four was presented in Council Chambers to a panel of five. Once Council had chosen its preferred supplier, as well as an alternate option, the



L-R: Kelly Lee, Human Resources Risk Manager at Ballina Council; Kevin Mercer of ERA; Keescha Brown, Corporate Safety Officer at Ballina Council and Brett Hay of ERA.

ERA team implemented the solution, working closely with the Council team leaders.

"We now use only one supplier, rather than the five we used previously, and have a much improved, streamlined, administrative payroll process as well," says Neil. "Considering our cost savings of approximately 10 per cent, as well as the new efficiencies, we are well ahead."

"When you consider the result achieved in a matter of eight weeks, we are more than happy with the outcome," says Kelly.

For their part, having had such success with two Councils in the region, Brett and Kevin are hoping to work with many more.



# A\$250,000 lesson learned in general insurance

savings of 16-25% found for 4 schools

When you consider that general insurance premiums for schools have more than doubled over the last five years, it's no wonder that school administrators are looking for cost relief. Four private schools took matters into their own hands in December 2004 and, even though they were not unhappy with the service provided by their brokers, approached ERA WA consultant, Ruth Cohen, and Ken Armstrong of ERA Insurance Services to reduce their general insurance costs.

ERA examined the levels of cover each school had undertaken, and ensured that there was no duplication of policies. When it came to benchmarking brokers' fees and commissions against the general insurance industry average, however, it was found that some schools were paying substantially above-market-average premiums for some covers.

The premium cost of Liability and Industrial Special Risks Insurance was benchmarked and comparisons were made. These used either the number of students and/or the sums insured, taking previous claims history to account. Some schools were unknowingly paying 100 per cent more for liability covers than other schools on a per-student basis. The industrial special risks (ISR) rates varied by more than 50 per cent between schools.

ERA Insurance Services saved the four schools more than \$250,000, ranging from a minimum of 16 per cent to a maximum of 45 per cent for each school. All this was achieved with three out of four of the schools remaining with the same broker.

ERA is now working to reduce Student Personal Accident premiums by 20% for the 2006 school year.



ERA Consultant, Ruth Cohen and Mike Shannon of Carmel School in WA – "The school was delighted."

# 21-40% savings found on 3 categories for regional credit unions



A call to ERA has resulted in considerable savings for two regional credit unions in Victoria – and that means improved member services.

RegionalOne Credit Union, Victoria's largest regional credit union, engaged ERA consultant Robert Jackson to review its Office Products, Telecommunications, and Postage expenditures.

The ERA team discovered savings of more than 30 per cent over the next 12 months in the area of Office Products.

As another example of this, ERA analysed RegionalOne's telecommunications expenses, even though the credit union is part-owner of its regional telco. ERA identified savings of 21 per cent in this area, and has offered to assist the Community Telco to reduce its wholesale telecommunications charges. This enables RegionalOne to benefit from significant savings, and to remain loyal to its local telco.

The review of 'postage and mailing' operations at the credit union identified opportunities for savings of more than 40 per cent per annum, as well as the prospect of a reduced workload for the Mail department.

"It is sometimes difficult to find a trade-off in regional areas between loyalty to local traders and which is the best deal for our members' credit union. The arrangement with ERA is a succinct one page agreement that is advantageous to RegionalOne Credit Union. ERA will include the current supplier in any cost comparisons and allow RegionalOne Credit Union to make the choice to remain with the local supplier, or make the change. To date, a couple of locals have reduced their costs to retain our business. I would strongly recommend that other credit unions at least look at the concept ERA presents. I am sure they – like us – will find some real cost reductions in a number of areas," says Mr Tom Fidler, general manager of RegionalOne Credit Union.

RegionalOne has now requested ERA to review their printing, cleaning and general insurance costs.

Another major Victorian community credit union, Plenty Community Credit Union participated in the Regional Credit Union Expense Reduction Program. The General Manager of Plenty, Mr. Steve Sampson said of ERA's support: "We at Plenty have found ERA to be professional in their approach and efficient in the results obtained to the point that we would have no hesitation in referring them to any other Credit Union especially due to the fact that there is no cost involved. I wish all third party suppliers could deliver such a service."

With ERA's assistance, Plenty Community Credit Union saved 34 per cent on its Telecommunications expenses and did not have to change carriers. Plenty has also achieved annual savings of 29 per cent on Office Products expenditure, and seven per cent of its annual electricity charges. ERA is currently reviewing printing and cleaning costs for the credit union.

The savings made for RegionalOne and Plenty have been made available to other Victorian community credit unions.