



EXPENSE REDUCTION ANALYSTS®

YOUR COURIERS MAY BE COSTING YOU MORE THAN YOU THINK

According to courier cost management specialist Kim Gillespie of Expense Reduction Analysts (ERA) the key to sourcing savings on your courier overheads is understanding what level of service you need.

“Many companies have never actually reviewed their courier suppliers nor negotiated their rates at the time of hire. Couriers were simply deemed an incidental but in actual fact often add up to a healthy five figure sum,” he comments.

“Add to this that staff haven’t been briefed on the service levels available and that there is no reliable process to ensure items are delivered when they are actually required and the process is further compounded. In fact, organisations often end up over-served totally unnecessarily.”

ERA reviews your current usage patterns in not only identifying your needs but also to determine if your current suppliers measure up. The ideal is to stay with the existing supplier to avoid “change” but sometimes this is just not possible due to uncompetitive rates or bad performance.

So how does the review process work?

ERA looks at who is responsible for couriers in your organisation, not just from an establishment standpoint but also from a maintenance and administrative perspective. And then reviews how new rates are currently negotiated and how delivery priorities are set, implemented and processed. Often the person in charge of couriers doesn’t hold the rate card and doesn’t have the authority or knowledge to negotiate new runs.

From an accountability aspect ERA checks the rates and the process of allocating to cost centres as the cross checking and correlating can be extremely time consuming .ERA also checks the KPIs, if there are any currently in place, in terms of service levels and delivery speed.

But this is still only the beginning because the key really is what types of service are currently being used, for instance, locally, bicycle or van and also what level of service ie. locally, standard or VIP. For interstate work: overnight or road express. The options are endless.

Then ERA needs to consider what is usually being delivered ie. documents or merchandise and also where to and how often. For instance many organisations have standard daily runs. The price for these can be negotiated over and above the rate card.

Once all this information is identified then ERA can gauge whether the existing courier service is performing properly. And whether it is providing the most appropriate level of service options. Kim adds, "If it isn't then we talk to the supplier with the ultimate threat being cease of contract. Obviously, we understand the market and know the suppliers well and what they charge, as well as rate increases and awards that effect the industry. They know we know which certainly helps the negotiation process."

Once these issues have been identified, ERA looks at educating staff on what service levels are available and implementing the most efficient courier briefing service – from a simple internal post it system which briefs the despatch department to an internet ordering facility. These options can also carry a mandatory cost centre and/or client reference requirement in order to be able to facilitate and accelerate the soft invoice payment process which further assists with rate discounts.

ERA then continues to monitor the service with the organisation's stakeholders and supplier/s in order to ensure that the agreed outcome is achieved. ERA then reviews the costs periodically over the next 12 months in order to ensure that the process is maintained.

Often in the case of corporate acquisition, the process needs to be streamlined again and again as each company purchased has its own preferred suppliers. In one case a national company had 36 suppliers and they could only cut it down to 29. ERA managed to achieve their needs with six suppliers.

In conclusion, negotiating the best rate is only the first step. It's then up to your organisation to identify the most appropriate rate and service level for your needs. With ERA's help your organisation can increase its understanding of what works best.

COST MANAGEMENT IS ERA

ERA has been in the cost-management business since 1983, and in Australia since 1993. During that time, the company has stuck to a 'no savings, no fee' maxim – and found savings averaging 15-25 per cent for every single client it has helped. Clients enjoy reduced prices for goods and services, enhanced negotiation leverage with suppliers, improved cost analysis and management tools, improved inventory management, improved compliance with corporate contracts, and the introduction of new ideas and trends to help enhance their competitive advantage.

Whether Australian businesses choose to undertake a program of cost-management under their own steam, or choose to call in expert help like that provided by ERA, the benefits to their bottom line can be immense.

Every solution for every company is different, because every solution is tailor-made to that company's requirements and goals. From creating a profit culture within the organisation to cost management, ERA provides a total service that's totally accountable.

“Our clients always make the decisions about which alternatives are most suitable for them and are included in the process all the way through,” says Fred Marfleet, Chairman of ERA Australia. “But our help and guidance ensures that they make the right decisions for now and well into the future.”

Expense Reduction Analysts - Working in partnership with our clients to maximise profits.