



ERA Global News

EXPENSE REDUCTION ANALYSTS' BUSINESS NEWSLETTER

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ERA WORLDWIDE

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ERA Global News is an in-house business information newsletter designed to keep ERA clients and analysts informed and aware of the operations and activities of the ERA consultancy network worldwide. 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 helps Hilton Belfast cut energy costs by 20%

EXPENSE REDUCTION ANALYSTS UNITED KINGDOM

In Northern Ireland, the Hilton Belfast is set to reduce its energy costs by a fifth and improve efficiency following a review by Expense Reduction Analysts (ERA) UK of its fuel consumption patterns.

The Hilton Belfast is part of Hilton International, an operating division of Hilton Group Plc, the most recognised name in the global hotel industry, with 390 Hilton branded hotels in 78 countries around the world.

The savings come after ERA analyst John McGowan met with Hilton Belfast's financial director Stephen Close to investigate areas of hotel expenditure where costs could be streamlined. John was able to illustrate how the ERA Value Improvement Programme could be used to review strategic and non-strategic expenditure at the hotel to ensure it was receiving best value for money. Impressed by ERA's proposed payment by results and with the constant threat of increased gas and oil prices, especially in the hotel industry, Stephen engaged ERA to analyse expenditure on fuel at Hilton Belfast. John McGowan agreed to conduct the review and invited ERA's third party experts Brendan Byrne and Mike Daly to assist him.

"As with all hotels, the expenditure on heating and hot water is significant; in Belfast's case, over £40,000 (US\$73,000) per annum," explains Stephen. "John and his



Pictured (l-r): ERA analyst John McGowan and Stephen Close, financial director for the Hilton Belfast

team explained that they had previously developed boiler management systems that were tuned to hotels' patterns of high usage in the mornings and evenings. John also guaranteed that there would be no interruptions to the hotel's business operations, equipment or systems, and so I commissioned ERA to conduct a six-month pilot at Hilton Belfast."

Trial period

ERA introduced a technology to Hilton Belfast designed to make the boilers run more efficiently and, after trialling the technology for a period of six months, John and his team were able to present their recommendations to the Hilton Hotel Group, complete with supporting evidence. They reported average projected savings of more than 20

per cent per room sold to be spread over a 12-month period when taking into account varying external temperatures over this time period which effect usage rates.

The results were so promising that it has now been agreed with Hilton International's headquarters in Watford, England to extend the initiative and make it available to the rest of Hilton's UK hotels.

"Hilton takes its global responsibilities very seriously and, in addition to the actual cost savings, we are delighted that as a direct result of our work with ERA, we are in a position to demonstrate a positive impact on the environment due to lower gas consumption, reduced boiler burn rates and greater energy conservation," says Stephen Close, Hilton Belfast's financial director.

Tax refund for Imation

EXPENSE REDUCTION ANALYSTS FRANCE

In France, world-leading removable data storage solutions provider Imation has been able to improve its tax efficiency following an extensive 12-month review by ERA France affiliate Edwige Zandvliet of the company's tax and social contribution payments.

"Imation initially invited ERA to investigate its 'professional tax' payments with the view that the company was unlikely to find any savings," explains Valérie Bienaime, Imation's administrative and financial director. "However, we were impressed at their good work and the savings they found for us to the extent that we extended the audit to include all the company's tax and social contributions."

As a result of this review, ERA was able to identify over payments and obtain a refund of more than €340,000 (US\$426,489) for Imation.

"I would highly recommend ERA as they are specialists in their field and they really know how to interpret tax law which has been a great benefit to us," says Edwige.



Pictured (l-r): ERA Paris affiliate Edwige Zandvliet and Imation administrative and financial director Valérie Bienaime

Better insurance rates for Mexico's Milyon

EXPENSE REDUCTION ANALYSTS MEXICO



Pictured (l-r): ERA Mexico executives Lizette Romo and Sylvia Perales

Expense Reduction Analysts (ERA) Mexico achieved savings of more than 30 per cent in insurance costs for one of Latin America's leading non-woven textiles companies.

Milyon is a Mexican-owned company that was established over 40 years ago. With subsidiaries in England and the United States, Milyon exports its products to many countries around the world, including Germany, Italy, Canada, South Africa, Brazil and Hong Kong. Its clients include important transnational companies such as Colgate, Unilever and Clorox.

As part of the market leading company's continuous development programme, Milyon had begun the process of reducing the costs of its inputs and services. The company enlisted the 'no-risk' help of ERA Mexico to explore other additional areas of cost reductions.

Insurance savings

ERA's analysis pinpointed insurance costs as a potential major 'profit leak'. It also identified substantial potential savings in energy usage. Following a review of policies and an adjustment of insured values, ERA was able to reduce Milyon's insurance costs by more than 30 per cent. The savings were achieved by using the current supplier with another agent.

"We had been working for too long with the same insurance agent and were not aware of the deficiencies of the policy," says Milyon's CEO Pablo Recht. "ERA's work certainly helped us to see that we could obtain better conditions and a better price for our insurance."

Freight saving for Jameco

EXPENSE REDUCTION ANALYSTS

USA

Expense Reduction Analysts (ERA) USA has achieved big savings in freight costs for a top American electronics company.

Jameco Electronics is a catalog distributor which offers a wide range of electronic components and computer products. Based in the San Francisco Bay area, the company's goal for over 30 years has been to provide a level of service, product selection, price and overall value unrivalled elsewhere in the industry. Jameco met with ERA to investigate areas where expenses might be reduced.

"We already work hard on controlling costs so we were intrigued by ERA's no-risk approach and asked them to review, first of all, our freight costs," says Jameco CEO Bob Croshaw.

Thorough investigation

ERA's Tony Adkins and Anil Nanda conducted a thorough investigation and were able to negotiate significant savings. As part of the process, the need for flexible pickup times had been stressed to the carriers. Jameco's freight costs, which totalled more than US\$1 million, had been spread over a number of carriers. By consolidating the amount spent and entrusting the delivery to one supplier, a smooth implementation of the reductions was ensured and ERA was able to cut the overall costs in this area by US\$120,000. Payment and reporting have also been improved by the introduction of electronic billing

"ERA operated in a very professional manner, working with our team, including finance manager Ester Baldovino, warehouse manager Barry Belovsky, and purchasing director Gil Orozco, giving regular updates throughout," says Bob Croshaw. "Savings were achieved through their expertise and they dealt courteously with our suppliers at all times."

Delighted with the results, Jameco have asked ERA to look at their credit card fees and will be discussing their insurance needs after that.



Rave review from Ravensdown

EXPENSE REDUCTION ANALYSTS
NEW ZEALAND

Expense Reduction Analysts (ERA) New Zealand has helped a national soil fertility co-operative achieve savings of more than 20 per cent in three of its expense categories.

Ravensdown Fertiliser Co-operative provides a total fertiliser solution by working closely with farmers to identify and meet all of their fertiliser needs. With annual sales of US\$319 million, it has three manufacturing plants across the country, as well as quarries, a bulk storage network and several distribution sites.

Ravensdown brought in ERA to review three key areas: the provision of security services, the laundering of staff work clothes and the purchase of protective clothing and equipment.

“Until then, security services had been provided by eight different companies nationwide,” says ERA’s Chris Wilson. “ERA examined expenditure on the monitoring of intrusion detectors, mobile patrols, static guards and the cost of alarm responses and, following a tendering process, a contract was awarded to one of the incumbent suppliers.”

Pricing proposals

Three laundries were being used to clean staff clothes under three different charging systems. ERA sought pricing proposals for the three systems and recommended that Ravensdown implemented a nationwide, fully managed rental garment system from a single provider. Also, Ravensdown’s four main suppliers of protective clothing and equipment were asked to submit pricing proposals, with one being selected as the sole provider. In addition to the cost savings, savings will accrue through product rationalization and a reduction in administration costs. The savings achieved by ERA across the three categories averaged 21 per cent.

“I am delighted with the outcome, especially as minimal input was required from our staff,” says Ravensdown South Island general manager Mike Whitty, who co-ordinated the three projects on the company’s behalf. “ERA provided the expertise and delivered the savings, enabling our own resources to stay focused on our core business.”

CIT Group save 30% on document storage

EXPENSE REDUCTION ANALYSTS AUSTRALIA



Expense Reduction Analysts (ERA) Australia has helped a leading US commercial and consumer finance company achieve significant savings on its document management costs.

CIT Group, a Fortune 500 company, brought in ERA to analyse the costs it incurs when new contracts are received, stored and retrieved. For a company that provides financial services for the purchase of new equipment – particularly computers, technology and motorcycles – this is an area that incurs a surprising amount of expense.

“When CIT receives a new contract, it is entered onto an internal database where it is stored for fast retrieval so it can be easily accessed on customer request,” explains ERA consultant Colin Manning. “Contracts are scanned through an external bureau, using high speed production scanners, which are then uploaded onto the internal CIT IT database. Scanned documents are then placed in archive cartons and sent into document storage.”

Having held senior management positions with two of the country’s major records management companies and overseen the creation of a document scanning division for one, Colin had exactly the right expertise to help CIT achieve major savings and reduce its costs by 30 per cent.

“The savings achieved exceeded our expectations,” says Peter O’Sullivan, national credit manager for CIT. “I am highly satisfied with ERA, especially as they were prepared to ‘muck in’ and negotiate directly with the providers. They were proactive in the overall process and mindful of our service requirements. Colin’s industry knowledge is well researched and very current.”



CIT national credit manager Peter O’Sullivan and ERA consultant Colin Manning

Taiwan's FamilyMart recommends ERA

EXPENSE REDUCTION ANALYSTS TAIWAN

Expense Reduction Analysts (ERA) Taiwan has helped one of the country's largest convenience store chains make savings of almost 30 per cent on its office supplies and telecommunications.

Taiwan's FamilyMart Convenience Stores has close to 1,800 shops across the island and annual sales turnover of US\$0.8 billion. ERA Taiwan ran a comprehensive analysis in areas which FamilyMart thought it was already competitive and still found savings in a number of key areas.

"ERA Taiwan has shown a capacity to work in innovative, non-traditional cost reduction activities," says Chien Shing Lee, financial manager of Taiwan FamilyMart. "I personally found ERA's approach to be both professional and consultative and would have no problem in recommending the service to any interested clients or firms."

FamilyMart is currently considering using ERA Taiwan's services for other categories, such as insurance and recovery audit.



Pictured (l-r): ERA's Mimi Chien is joined by Chien Shing Lee, financial manager of Taiwan FamilyMart and TT Hsu

Value-added service for Komatsu International (Canada)

EXPENSE REDUCTION ANALYSTS CANADA



Pictured (l-r): ERA Canada associate Gabriel Pedneault; Komatsu strategic procurement agent Mario Gallienne and Roger Fournier, ERA's regional vice-president, Eastern Canada.

ERA Canada has achieved an overall saving of more than 27 per cent in overhead costs for leading construction equipment manufacturer Komatsu International (Canada) based near Montréal.

ERA Canada, headed by senior associates Gabriel Pedneault and Michel Leroy, generated savings in seven different expense categories, including plant cleaning services, uniforms and security, and waste management, where they turned an expense into a revenue.

"We are very satisfied with the results," says Normand Lebel, general manager for strategic procurement at the manufacturing plant. "The ERA Canada team helped our organisation to set new standards in areas where traditionally we do not have sufficient resources or knowledge."

ERA opens Colombia operations

EXPENSE REDUCTION ANALYSTS LATIN AMERICA

Expense Reduction Analysts (ERA) has continued its expansion strategy in Latin America by launching operations in Colombia. The new office, located in Bogota, is headed by Juan Ricardo Buenaventura and Felipe Costain, who both have considerable consultancy experience in financial services.

"With a population of 45 million and 60 per cent of service value added to GDP, this country offers huge development opportunities for ERA; especially in the current climate where the reduction and management of business overheads is becoming an even greater priority," says Bernardo Faincaig, ERA's managing director for Latin America. "Opening this office in one of the most important economies of the region consolidates ERA's presence in Latin America."

ERA Colombia will be looking to target both public and private organisations with annual incomes of US\$50 million. The new ERA associates have been challenged to gain 10 clients during the first year and to study an average of six categories with each of them – a target they are confident of meeting!



The new associates at ERA Colombia

Cotecna reduces routine business costs by 22%

EXPENSE REDUCTION ANALYSTS ECUADOR

Expense Reduction Analysts (ERA) Ecuador has achieved significant savings for leading trade inspection services company Cotecna Inspections.

With operations in over 35 countries, Cotecna Inspection is Ecuador's market leader for trade inspection and certification services. The company enlisted the help of ERA Ecuador to monitor its non-strategic expenses during the expansion phase of its business.

Six expense categories

ERA analysed six expense categories: hotel accommodation, domestic couriers, telecommunications, personnel transportation, office supplies and domestic air travel.

For office supplies, the process of requisition, authorisation and delivery of purchasing orders would now be conducted using automated web-based software, with the cost of carrying inventory transferred to the supplier.

"A significant amount of time was saved for placing orders and responsibility for their size was transferred to the department heads, improving control over consumption and requisition," says ERA's Latin America managing director Bernardo Faincaig. "Savings are not being achieved on the unit price of each item purchased, but on the number of units purchased, which is decreasing steadily."

Domestic travel

Cost efficiencies were gained in domestic travel by transferring control of reservations and the issue of the tickets directly to Cotecna Inspection, allowing the company to take a tax credit of the VAT generated in these transactions.

Average savings over all categories reached 22 per cent; impressive when considering that transportation, hotel accommodations, and office supplies are highly competitive industries.

"ERA's analysts and ongoing reviews have enabled us to evaluate our purchasing procedures," says Elizabeth Arias, financial director for the Ecuadorian operation of Cotecna Inspection. "This has helped us keep a tight control on non-core business expenditure and channel these savings into internal and external client services delivery."