



ERA GLOBAL NEWS

EXPENSE REDUCTION ANALYSTS' BUSINESS NEWSLETTER

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ERA Global News is an in-house business information newsletter designed to keep ERA clients and consultants 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.

FOR MORE INFORMATION

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Building and maintenance savings for ABB

Expense Reduction Analysts (ERA) Brussels has helped a leading power and automation technology specialist to uncover ways to achieve savings on its building maintenance and facilities costs.

Asea Brown Boveri (ABB) is a leader in power and automation technologies which enables utility and industry customers to improve performance while lowering environmental impact. It operates in close to 100 countries worldwide and employs more than 103,000 people.

Market leaders

ABB called in ERA director of operations Bert Hummel to see if he could assist in reducing the company's outsourced building maintenance costs and facility services at four of its plants in Belgium, Holland and Luxembourg.

"Building maintenance was one of the activities we decided to abandon some years ago," explains ABB Benelux chief executive officer Marco Kroon. "Today, our core products include robots, various electrical and electronic automation systems and naval turbines. ABB is a market leader in these areas and focuses on continuous product and systems improvements. Building maintenance is not part of this anymore."

Broader approach

After closely reviewing its processes, ERA was able to make recommendations that could reduce ABB's current building maintenance and facilities expenditure levels.

"Many times, clients themselves are very involved in details," says Bert Hummel. "The incumbent supplier was also very focused on providing means rather than results. Bringing the subject to a much higher and broader approach allows creativity, which also ensures that substantial savings can go along with a win-win situation for the supplier. As a temporary outside partner, ERA can do this more easily, leaving the client to focus on its core business activity."



Photo: (l-r) Marco Kroon ABB Benelux CEO, Bert Hummel ERA director of operations, Gerald de Leeuw ABB real estate director

"We are delighted with the potential savings that ERA was able to identify," says ABB real estate director Gerald de Leeuw. "We're happy to have used this service which has taken very little involvement on our side."



Cost reduction without compromising jobs or quality is achievable – often with astounding results.

Your success is our success

Welcome to the first issue of the new look ERA Global News, Expense Reduction Analysts' international newsletter for our business clients worldwide. We hope you will like the refreshed and extended new format which will enable us to carry even more news and features on business savings we've achieved for our clients around the world.

Let me thank you all for your continued support. Our success in your business has meant success for ours, and while last year proved to be a record year for all of us, this year is set to be even better.

Our commitment to improving our clients' profitability is stronger than ever, and with new and innovative programs in place, the scene is set for strong growth. As always, we seek and value your input because, quite literally, your success is our success.

Businesses today face some unique challenges. Recent years have seen a growing trend to directors' accountability, and in a development that is likely to continue, stakeholders in both the public and private sectors are demanding more transparency than ever before.

Cost efficiencies are essential

Markets are also becoming increasingly competitive. Cost and service efficiencies are not optional – they are essential. And in today's sink or swim environment, companies that cannot meet these demands fall prey to more efficient global producers.

For those of us prepared to take on the challenge, it is an exhilarating time to be in business, but meeting this challenge requires specialist skills. Headlines often herald corporate commitments of increased profits through cost reduction. It's an admirable goal, but one that is sometimes only achieved at the expense of performance or jobs. And under these circumstances, it is no achievement at all.

The corporate success stories of our time can confirm that cost reduction without compromising jobs or quality is achievable – often with astounding results. Many companies fail to take the critical step – a professional and independent review. As international specialists in the complex area of expense management, that is what ERA provides.

In addition to a fresh approach, we bring to your business an unparalleled breadth of international experience extending across organisations, industries and markets. We let you concentrate on growing your business, while we concentrate on containing the costs. And together, we build a better bottom line.

20 per cent average client savings

Many of our ERA clients will currently be in the midst of this process, with one or more expense categories already under review. Others will be reaping the benefit of cost savings brought about by previous ERA reviews. Indeed, I am delighted to report that over the past five years we have achieved average savings for our clients of around 20 per cent across all expense categories. This translates to increases in net profit measured in hundreds of millions of dollars. And plans are in place for even better results in the coming year.

Our UK and Australian clients have already boosted their bottom line with our new 'General Insurance' expense category – something we look forward to introducing in the United States and parts of Europe in the year ahead. And the good news for our Australian clients is that this year will see an expansion of ERA Travel Management Services 'down under'.

With new offices opening in Latin America, new consultants expanding our capacity to service clients, and new product categories entering the ERA service menu, we expect this year to see further major growth. We invite you to enjoy the gains in profitability that are only possible for us if we achieve them for you first.

Fred Marfleet
Chairman

CHILE

Expense Reduction Analysts (ERA) has helped Chile's leading distributor of pharmaceutical products Pharma Investi to achieve major savings in key areas such as deliveries and packaging.

Photo: Juliana Medero and Magdalena Ortega, consultants of ERA Chile, with Pharma Investi general manager Gonzalo Calvo.

Big savings for first Chilean client

With 120 employees and an annual turnover of US\$15.9 million, Pharma Investi is part of the Roemmers Group which produces a wide range of cardiology, paediatric and specialist clinical products.

Sustaining savings over time

ERA has helped the company make a saving of more than US\$107,600 in three key business expenditure areas; the equivalent of the company's total annual outlay on compulsory staff health insurance.

"After one year of work with ERA, we have been able to obtain savings in some areas where we previously thought there was no room for cost reduction," says Pharma Investi CEO Gonzalo Calvo. "ERA has shown us how to achieve savings and most importantly, how to sustain these savings over time."

Delivery costs cut

"The biggest saving was made in delivery costs, with costs being cut by 49 per cent," says ERA Latin America managing director Bernardo Fainçaig. "The reduction was made possible by entrusting the air delivery of medical products to different parts of the country to one single supplier and negotiating more beneficial rates. ERA was also able to obtain prices based only on weight and secured special rates for packages weighing under three kilos, which make up almost 70 per cent of total deliveries."

Massive savings were also made on packaging by grouping products to minimise the total requirements of paper and cardboard and optimising the use of different materials to make the boxes. This helped Pharma Investi to reduce its packaging costs by 34 per cent.

On office cleaning, ERA changed internal procedures and working layouts to optimise the use of labour and materials, while maintaining the standard of service. Switching to more efficient cleaning practices resulted in a 13 per cent saving for Pharma Investi.



TAIWAN

Expense Reduction Analysts (ERA) Taiwan has helped one of the country's leading manufacturers and developers of optical products to reduce its overhead costs in areas including electricity, telecommunication, printing and labour as well as health and marine insurance.

Photo: ERA consultant Sheng-Wen Huang, account manager to Prodisc.

Cost saving for Prodisc

Established in 1990 and now with US\$0.34 billion turnover and over 1,300 employees, Prodisc has accumulated 15 years experience with branches in Taipei, Hong Kong, Thailand and the Netherlands, North America and China, specialising in optical storage media, optical communication components and rear projection screens. Due to the low profit margins in this field, Prodisc closely monitored its costs and ran an internal streamlining programme before engaging ERA Taiwan.

"We thought we were already competitive and no further savings could be found," says Carol Lin, Prodisc's deputy manager for performance management.

After various reviews, ERA generated savings of more than 27 per cent in marine insurance without even changing Prodisc's incumbent insurance company.

"I was pleasantly surprised with the savings found by Expense Reduction Analysts," says Carol Lin. "They were able to release our hidden profit which we had never thought possible."



Accounts Payable recoveries for CSC



Photo: (l-r) ERA senior recovery auditor Jehan Salib, CSC accounts payable manager Carol Furniss, CSC financial controller Alan Chan and Jeremy Gimson ERA recovery services.

Expense Reduction Analysts (ERA) Australia has not only achieved significant returns for Computer Sciences Corporation, but has also confirmed the integrity of the company's accounts payable (AP) system after a recent audit of its AP processes.

Computer Science Corporation (CSC) is a global IT company operating in the areas of consulting, systems integration and outsourcing. Alan Chan, recently appointed as financial controller of the Australian company, was approached by Jeremy Gimson of ERA Recovery Services to discuss ERA's accounts payable recovery auditing service.

"Given that I was new to the role, I felt that a historical audit of the integrity of our AP systems would be a positive move and would give me confidence in our systems," explains Alan.

Transactions scrutinised

In this service, ERA normally audits approximately four years of AP transactions and looks for 'suspicious transactions'. Typically, ERA auditors find duplicate payments of invoices, wrong payments and missed GST input credits. ERA verifies that errors have not been corrected, puts a case to suppliers and recovers the funds on behalf of the client. ERA is then paid a proportion of the recovered funds.

ERA senior recovery auditor Jehan Salib worked closely with CSC to extract the data for analysis. Having isolated any irregular transactions, Jehan then worked for a short time in CSC's accounts payable department to verify which errors had not been corrected and to recover the outstanding funds.

"I was genuinely amazed that once we had given ERA the electronic data, they did everything," says Alan. "They gave me confidence that my systems were good and generated significant recoveries for CSC, money that I otherwise wouldn't have seen."

Significant recoveries

At the project's conclusion, ERA presented Alan Chan with an audit report, summarising the results and making minor recommendations for improvements. ERA also completed a diagnostic report, containing an in-depth look at CSC's payments and vendor data. For example, it identified replicated suppliers listings, which provide a risk of duplicate payments. Due to ERA's detailed detective work, significant recoveries were made, dating from as far back as 2000. Secondly, the recent performance of the CSC Accounts Payable Team has been excellent, with good procedures and few errors.

"The work that ERA did for us went far beyond merely recovering the funds owing," says Alan. "The diagnostic report was invaluable and I now have confidence that all is well with my Accounts Payable system."

Rapport telecoms costs cut



Photo: (l-r) Joe Schmitt CEO Rapport Services, Rob Peterson ERA consultant, Joe Dibbs Rapport Services.

Expense Reduction Analysts (ERA) USA has helped Rapport Services achieve savings of 35 per cent in its telecommunications costs, one of the company's key areas of expense.

Rapport Services, whose divisions include Rapids Wholesale Equipment Company, a provider of bar and restaurant equipment and Porter's Camera Store, a distributor of cameras and associated camera supplies, rely heavily on catalogue marketing for sales generation. Consequently, a significant portion of its expenses lie in telecommunications costs, especially with its high inbound call volumes. Due to the tremendous changes and extreme competitiveness in the telecommunications industry, Rapport Services wanted to make sure it was not overspending in the catalogue marketing area.

No financial obligation

ERA consultants Rob Peterson and Jim Schmitt met with representatives from Rapport Services at its base in Marion, Iowa, and described how ERA works with clients to reduce costs in various expense categories and its commitment to maintaining the same or superior levels of quality the client has enjoyed. This is also done on a *No Savings-No Fee* basis with Rapport Services having no financial obligation unless ERA's savings recommendations were accepted and implemented.

Best interests of the client

After reviewing Rapport's telecommunications costs and liaising with both the incumbent and alternative suppliers, ERA analysed its findings and offered several options it felt were in the best interests of the client. Based on ERA's presentation, Rapport Services' chief executive Joe Schmitt elected to go with an option that ultimately saved the company 35 per cent on its annual telecommunications expenses.

Following the implementation process, ERA has continued to monitor the savings during an 18-month period to ensure all components of the new supply contract terms are being followed. According to Rob Peterson, one of ERA's strengths is its commitment to remain with the client for the long-term to monitor the results and recommend modifications as they become necessary.

FRANCE

Expense Reduction Analysts (ERA) France has helped one of France's leading banking institutions achieve considerable savings on its energy costs.

Photo: René Ragheboom, director of central services for Caisse d'Epargne's Paris region.

Energy and tax savings for Caisse d'Epargne

Since 2001, ERA has carried out a number of audits for Caisse d'Epargne's Paris region, which comprises 3,300 employees located on 330 sites, including 300 banking branches.

Technical know-how

"My responsibilities cover many different areas, including general services, transport, security, property transactions and building maintenance," says René Ragheboom, director of central services for Caisse d'Epargne's Paris region. "We simply do not have the staff resources to carry out long-term projects such as a review of property taxes and energy costs.



"We were therefore interested to identify consultants who could provide the required technical know-how and experience in these key areas and who would be prepared to work in a real spirit of partnership, implying a system of payment on results."

Series of audits

ERA senior consultants Alain Costy and Jean-Claude Chevillon, who have operated in the Paris area since 1999, carried out a series of audits in a bid to identify areas in which potential savings could be made. They discovered that 100 of Caisse d'Epargne Paris' sites were not benefiting from correct electricity tariffs.

Further analysis of property taxes, carried out between ERA and the Caisse d'Epargne team, identified many different opportunities to reduce overall tax charges.

"An important factor has been the quality of cooperation between ERA and our own staff," adds René. "The excellent results in the Paris region have enabled us to recommend ERA to our colleagues in Normandy and Brittany, allowing ERA to extend their working relationships within the Caisse d'Epargne organisation."

NEW ZEALAND

Expense Reduction Analysts (ERA) New Zealand used its expertise to help hand tool and auto service equipment specialist Sulco achieve savings of more than 20 per cent in three of its key areas of expense.

Photo: (l-r) ERA freight specialist Peter Snow, Sulco freight and logistics coordinator Vijay Menon, Sulco general manager Andrew Millar and ERA client manager John Prendergast.

Sulco save with ERA New Zealand

Diverse business divisions

Formed in 1971, Sulco is a privately owned and operated New Zealand company which operates several diverse business divisions, marketing a range of quality products sourced from leading manufacturers worldwide. These products include hand tools, workshop equipment, specialised automotive service equipment, corrosion protection coatings for steel pipe lines and many other consumer products.

Freight requirements

Sulco imports products from all over the world including Asia, USA and Europe. In a bid to manage its freight



requirements more efficiently, the company asked ERA to examine its operations to see if any reductions could be made. ERA freight specialist Peter Snow carried out the examination and was able to make recommendations that would help Sulco achieve significant savings.

Freight forwarders

In conducting the research, ERA found that Sulco was using up to 20 different freight forwarders, often on the advice of suppliers. This also created a considerable amount of administration which required extensive following up. Peter Snow was able to reduce the number of freight forwarders to two, based on the country of origin. Coupled with the reduction and streamlining of administration, ERA recommendations helped Sulco achieve a healthy saving of 18 per cent per year on its freight operations.

In addition, ERA's research also helped Sulco achieve savings of 27 per cent on its office products and 18 per cent on its insurance costs, making a 22 per cent reduction altogether.

"In addition to the substantial savings achieved by ERA, other things that stand out are the improved service we receive from the new suppliers as well as the fact that the ERA people are great to deal with," says Sulco general manager Andrew Millar.

ERA accelerates savings for Kia



Photo: (l-r) Andy Mahon ERA consultant, Sean Stewart head of facilities and office services Kia and Marc Page ERA consultant.

Kia Motors (UK) Ltd is the fastest growing car manufacturer in Europe. Last year Kia sold more than one million cars worldwide and actually beat its own sales record for the fifth year running. This rapid growth was the main factor behind the company's recent decision to relocate to stunning new offices in Weybridge.

Rapid growth

Esther McLeod, head of human resources for Kia, engaged ERA analysts Marc Page and Andy Mahon to assist with managing the expected growth in business overheads. She explains: "What really impressed me about ERA was the fact that Marc and Andy would be in a position to utilise the knowledge and expertise of any member of the ERA network if they needed to when conducting any expenditure reviews for us. This was particularly appealing given our rapid growth and relocation plans."

Thorough analysis

During the months prior to Kia's relocation, ERA advised on a range of expenditures. Some of these cost areas were completely new to Kia as the company was moving from a serviced office into its own larger new offices. This first round of analysis work involved investigating expenditure upon postage and capital equipment, print, office stationery, and mobile communications.

The relocation meant that some suppliers would no longer be in a position to provide a service to Kia and so ensuring high service levels from new suppliers was fundamental to the smooth implementation of each project. Andy and Marc addressed this issue by undertaking a thorough analysis of Kia's revised service criteria, as well as reviewing the financials and reported all of their findings back to Kia in clear and comprehensive recommendations.

Significant cost savings

Each project resulted in significant cost savings and enhanced service levels. Sean Stewart, head of facilities and office services at Kia, is now Andy and Marc's main contact within the organisation. He says: "My first meeting with Marc and Andy was to establish the status of each project so that I could begin to understand how the cost savings and service enhancements had been achieved."

"Marc and Andy's attention to detail was obvious to me, as was that of Tobias Morris. Tobias is a consultant who was invited by Marc and Andy to conduct the communications analysis work due to his expert knowledge of this particular market."

Further areas of expenditure

With a number of projects now delivering savings on an ongoing basis for Kia, Sean is keen for ERA to look at further areas of expenditure. The first of these areas are business rates, insurance and fixed line communications.

Sean concludes: "I have every confidence in engaging ERA to investigate a further range of expenditure areas, which leaves me able to focus on the strategic issues which affect the growth of the business. I would have no hesitation in recommending ERA as an effective way of managing costs and enhancing supplier service levels."

20 per cent savings for Pfizer



Photo: (l-r) ERA's Sylvia Perales and Ms Luisa Barraza, standards and processes manager of Pfizer Mexico.

Expense Reduction Analysts (ERA) Mexico has helped one of the world's leading research-based global pharmaceutical companies achieve savings of 20 per cent in two key areas of expense.

Established in Mexico in 1951, Pfizer develops, manufactures and markets prescription medicines for humans and animals, producing a wide range of consumer healthcare products. Employing 122,000 people in 60 countries and registering a turnover of US\$27.5 billion, Pfizer is constantly looking for ways to innovate, improve efficiency and deliver more value to the physicians, patients and communities it serves.

Reducing business costs

Pfizer Mexico approached ERA in a bid to reduce its business costs. ERA began looking at several categories including courier, telecommunications, insurance and

printing expenses. After completing an examination of courier and insurance expenditure, ERA was able to make recommendations that would save Pfizer Mexico 20 per cent, with further studies on its outgoings still to be completed.

“ERA has delivered good results because it put together a detailed analysis of our business expenditures which we would never be able to do ourselves in the short-term,” says Luisa Barraza, standards and processes manager of Pfizer Mexico. “ERA’s knowledge of operating costs enabled our company to improve business efficiency.”