

PROFIT NEWS

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“Given these major changes, which will alter the benefits landscape placing new responsibilities and legal obligations onto employers, a long, hard look at the entire structure and delivery of employee benefits is advisable”

Brian Morgan, Director – Employee Benefits



EXPERT NEWS - INSURANCE TEAM

Employee Benefits – review now or pay later!

Unlike your general insurance arrangements, which are probably the subject of some form of annual review, your employee benefits programme may not have been properly reviewed and tested for a number of years.

If this is so, you are not only missing an opportunity to obtain improvements in the way your programme is structured and serviced, you could, as we will demonstrate, also be storing up some significant financial issues for the future.

One such issue is the potential impact of pension auto-enrolment. Starting from October 2012, for the first time, all employers will have to enrol their staff in a pension scheme and make contributions. Auto-enrolment will be phased in between October 2012 and February 2016, starting with the largest employers. Employees will also have to contribute unless they choose to opt out.

The introduction of auto-enrolment, the most radical change in pensions' policy in decades, is a key part of the Coalition Governments welfare and economic reforms, and is expected to see millions of working people saving for a pension for the first time. There are no exceptions, even for the smallest employers, and there are a complex range of changes surrounding eligibility and contributions all of which need to be taken into consideration when planning for this seismic change in the pensions landscape.

For most employers, particularly those that fail to plan for the changes, the advent of auto-enrolment will lead to significant extra costs in contributions and considerable additional administration. Despite this, Brian Morgan, Director, Employee Benefits at Expense Reduction Analysts Insurance Cost Management (ERAICM), says;

“From the conversations we are having with businesses throughout the country, it is clear that most employers simply do not appreciate just how great these increased costs could be. For large employers, the additional expenditure involved in funding contributions alone could run into millions of pounds each year. Yet our experience is telling us that few employers are fully aware of this, let alone actively planning for how auto-enrolment will affect their businesses.

“Recent research conducted by ERAICM shows that the likely increase in numbers joining and the need to match employee contributions means the financial impact for employers currently contributing to employee pension arrangements could be as high as a 40% increase in overall contributions, plus additional administration and management time costs.

“Our findings also show that few organisations fully understand how their pension scheme advisor's commission arrangements are currently structured. Post the reforms, costs which are currently wrapped up in commissions paid for by



the provider and levied from the fund's investments will cease to be payable on new schemes, or if a move to a new advisor takes place. Where this is the case, any advisory costs associated with the running of such schemes will, in future, have to be met by the employer. Such costs will not be recoverable from the employees although employers may be able to deduct them from contributions.

“Given this, where an organisation has a scheme where its advisor is currently remunerated on a commission basis, it should consider reviewing its position now in order that any remedial or restructuring work can take place under the existing commission terms. Once the changes have taken place, it will be difficult to change advisors unless the employer is prepared to pay hefty fees for corporate advice.

“Auto-enrolment is however, only the latest in a long line of changes within the employee benefits marketplace. Traditional ways of accessing employee benefits provision are changing as fees displace commissions and purchasers increasingly question the value obtained for that expenditure. Old ways of providing cover, a ‘cradle to grave’ approach (or at least until an employee's projected retirement date), are increasingly seen as inappropriate as employees stay with a company for only a few years, rather than several decades. This shift in the employer-employee covenant produces new challenges for employers – particularly in the areas of Long Term Disability, Private Medical Insurance and Occupational Health provision – and should lead to the consideration of new approaches to the structure and delivery of such benefits in order to make them more

cost-effective and tax efficient.

“Given these major changes, which will alter the benefits landscape placing new responsibilities and legal obligations onto employers, a long, hard look at the entire structure and delivery of employee benefits is advisable. As we have demonstrated, the option of simply rolling over your existing programme, year-on-year, without subjecting it to an independent, transparent and impartial review is one which may come back to haunt your company in the years to come.”

To find out more about how ERAICM can assist you in this key area, please contact:

Brian Morgan, Director – Employee Benefits, ERAICM on 01737 226866 or b.morgan@eraicm.com

CSR and Cost Reduction - delivering benefits to both the environment and the bottom line

At first thought, you wouldn't automatically link Corporate Social Responsibility with cost control, as reducing cost is certainly not the primary goal of any CSR programme.

However, a recent study by Kenexa High Performance Institute has revealed that organisations that are genuinely committed to CSR substantially outperform those that are not. The report (which studied 175 companies) found that those that were most committed reported an average return on assets that were 19 times higher than the average of those least committed.

A core focus with fleet operations in terms of CSR is centred on the environmental impact of its vehicles. Placing a limit on the amount of CO2 emissions being produced is not only beneficial to the environment, but will also lower the tax burden. Indeed additional fuel savings are achievable through behavioural management in training staff to adopt the key rules of eco-driving. Studies have proven that fuel consumption can be reduced by more than 10%. However it is believed that incentives for drivers will be required to maximise the potential savings, which normally requires a considerable

administration burden to be taken on.

Considering the health and safety aspect of an organisation's CSR strategy, an effective road risk management programme will have a positive cost positive cost impact on insurance premiums, limit the loss of accidental damage excesses, reduce down time of vehicles through repair and ultimately create a more effective work force.

Also, for fleets looking to sharpen up their CSR practices; when it comes to employing strategies to implement a cohesive CSR and cost control programme, a holistic approach needs to be taken which evaluates all the different areas of cost of ownership within the corporate departments responsible for procurement of fleet vehicles.

Effective advice and guidance for fleet drivers is also essential to achieve optimum Corporate Social Responsibility and cost reduction benefits. If you do not have appropriate cost, purchase and supplier management expertise in house, it is worth researching the market place for experts who can offer unbiased and objective advice pertinent to a business's specific culture.



“At first thought, you wouldn't automatically link CSR with cost control, as reducing cost is certainly not the primary goal of a CSR programme. However, within a fleet environment, CSR and cost control go hand in hand.”

Sean Bingham, Fleet Management Expert at Expense Reduction Analysts

Merchant Card PCI-DSS Guidelines updated

August 2011 saw the PCI Data Security Council take the opportunity to update its guidelines for merchants using Wireless technology to collect payments from customers.

The Payment Card Industry – Data Security Standards (PCI-DSS) lay down minimum security requirements and guidelines to all merchants, including the growing number of merchants employing 'Tokenization'. These regulations have been created as part of an overall aim to reduce the level of data breaches where customer card details are stolen. Failure to comply with these standards or incidents leading to data loss can lead to substantial fines and brand damage.

Tokenization is the process of replacing sensitive data with unique identification symbols that retain all the essential information about the data without compromising its security. Designed to minimise the amount of data a business needs to keep on hand, this practice has become a popular way for small and mid-sized businesses to strengthen the security of credit card and e-commerce transactions whilst minimising the cost and complexity of complying with industry standards and government regulations, such as those outlined by The PCI Data Security Council.

The PCI Security Standards Council is an open, global forum that is responsible for

the development, management, education, and awareness of the PCI Data Security Standard (PCI DSS) and related standards that increase payment data security.

Founded in 2006 by the major payment card brands American Express, Discover Financial Services, JCB International, MasterCard Worldwide and Visa Inc., the Council has more than 600 participating organisations representing merchants, banks, processors and vendors globally. "Wireless networks continue to be an easy target for data compromise, especially as new devices are added to these environments," said Bob Russo, General Manager of The PCI Security Standards Council. "This resource remains an important tool for understanding how to secure your payment card data when using wireless technologies."

The guidelines are designed to help merchants to interpret the PCI-DSS standards, so are not prescriptive and do not change the standards. Each merchant must ensure that their individual operation complies with the PCI-DSS standards.

To find the guidelines on Wireless payment and Tokenization, visit the PCI Security Standards Council website: www.pcisecuritystandards.org where merchant payment guidance, Self-Assessment Questionnaires, lists of qualified Assessors and valuable information is available.



Have your rates to call mobiles dropped?

From April 2011, OFCOM has enforced a reduction in Mobile Termination Rate (MTR).

The MTR is the amount that the Mobile Network can charge the originating network (e.g. BT) for inbound calls to their network, this has been reduced from 4.18p/min to 2.66p/min.

For example, this means that it now costs BT less to route your call to a Vodafone mobile and O2 less to route your call to an Orange mobile. Essentially, it is now cheaper to route all cross network calls to mobiles.

But there is evidence that these savings are not being passed on to all end-users, so companies should scrutinise their bills carefully to see if they are actually

benefiting from this reduction.

The MTR was originally introduced to allow the Mobile Network Service Providers to recoup their investment in building the network infrastructures but OFCOM, under sustained pressure from BT, has decided that the Service Providers have had sufficient time to cover those investments and over the next few years MTR will drop to close to 1p/min.

However, this is not all good news; The reduction in MTR will impact the revenues of the Mobile Network Service Providers and whilst the strong levels of competition will prevent them from increasing their headline business rates they will be looking for areas where they can up their prices and it is likely that the hardest hit will be pay-as-you-go customers.



The Expense Reduction Analysts Communications Team have tools to quickly and easily analyse your communications costs and advise you on how to get the best value from your suppliers.

Top ten tips for reducing waste in the Retail and Wholesale sectors

Top ten tips for reducing waste in the Retail and Wholesale sectors

Reducing operating costs and overheads is paramount for companies operating within tight margins and in a competitive marketplace.

The cost of waste is typically 4% of turnover – in some companies it can be as high as 10%. Implementing waste minimisation measures can reduce these costs by a quarter – often with little or no investment cost. Across the retail sector as a whole, this could result in cost savings of £2.25 billion/year.

Waste minimisation is good environmental practice and good business practice. Reducing material consumption and waste generation while providing the same service reduces both environmental impact, and costs whilst improving those all important profit margins.

Most UK businesses can reduce their waste costs by 1% of turnover. This is equivalent to increasing sales by 10% or even 20%. Shopping centre managers in the UK currently spend about £36 million/year on waste disposal. This cost is expected to rise to £39 million/year by 2012. Given the true cost of waste there is a strong business case for taking action to prevent and reduce waste. Waste minimisation focuses on avoiding waste from occurring. Waste management focuses on how best to deal with wastes that do occur.

In the retail sector, implementing a systematic programme to minimise waste can reduce the costs associated with:

- packaging
- waste disposal
- water use
- heating and lighting
- warehousing product returns
- damaged goods
- transport
- buildings and grounds maintenance

The recycling ethos...

- Avoid producing waste in the first place
- Minimise the amount of waste you do produce
- Use items as many times as possible
- Recycle what you can only after you have re-used it
- Dispose of what's left responsibly

Why reduce waste...

Some of the main reasons for reducing the amount of waste your company produces are detailed below, along with advantage it can bring...

Increase profits

Most UK businesses can reduce their waste costs by 1% of turnover. This is equivalent to increasing sales by 10% or even 20%. In a business where profit margins are tight, a reduction in waste costs can be the difference between profit and loss. Maintain competitiveness.

The significant cost savings and improved efficiency achieved with waste minimisation allow companies to maintain their position in a very competitive UK market. It will also put them in a strong position to deal with the increased competition arising from the breakdown of European and global trade barriers.

Improve management control

A systematic waste minimisation programme gives greater understanding of material use, utility consumption, waste generation, waste management procedures and waste disposal costs. This knowledge allows greater control of what is happening and the associated costs.

Improve their image

Greater public awareness of environmental issues has increased pressure on retailers, suppliers and shopping centre managers to improve their environmental performance. Service providers that can demonstrate good environmental practice have a marketing advantage.

Achieve cost-effective compliance with environmental legislation

Retailers are subject to a number of regulations and other mandatory charges, e.g. Duty of Care, the packaging waste regulations and landfill tax. The costs of both waste disposal and compliance with environmental legislation are set to increase further in response to these and other factors.

Adopt a systematic approach...

A successful waste minimisation programme is one based on a systematic approach that involves:

- measuring material use, utility consumption and waste generation
- planning
- identifying priorities for action
- setting targets
- implementing waste minimisation measures
- monitoring

These 'Boots' were made for recycling...

The Boots Company has developed a system for re-using the plastic transit trays for the delivery and display of its

sandwiches without the need for any alteration or redesign. The trays are no longer used just once, but are re-used at least three times. Broken trays are returned to the supplier for recycling.

The benefits have included:

- estimated savings of over £125 000/year
- savings of approximately 200 tonnes/year of plastic
- savings of approximately 270 tonnes/year of cardboard reduction in the packaging obligation costs for Boots and its suppliers

Top Ten Tips for reducing waste in the Retail and Wholesale Sector...

1. Separate waste at source (particularly cardboard and polythene) and send for recycling.
2. Separate food waste – particularly if a waste compactor is used to prevent odours and contaminated run-off (the compactor may hold waste for a number of days).
3. Arrange for returns and unsold products to be sent back to suppliers.
4. Re-use packaging materials (e.g. bubble wrap and boxes) and use re-usable wood, metal or plastic pallets/crates for regular deliveries.
5. Fit water saving devices in toilets and washrooms, e.g. urinal timers and cistern volume adjusters.
6. Turn off lights at night and during closed periods.
7. Ensure heating, boiler, air conditioning and lighting programmes are programmed correctly to turn off at night and when premises are unoccupied and that these systems are regularly maintained.
8. Install energy-efficient heating, boiler, air conditioning and lighting systems. This is particularly relevant for lighting that is in high/continuous use.
9. Set budgets and/or benchmarks for key material, utility and waste management costs (e.g. £/m² of floor space/year or kWh/m² of floor space/year for energy).
10. Obtain bills from head office if they are not received at the branch. Develop incentive schemes to reward waste reduction and efficient use of energy.



Expense Reduction Analysts deliver amplified savings on Wharfedale's courier costs



Wharfedale has been part of the IAG Group Ltd. since 1996. Always at the forefront of loudspeaker design, from its conception in 1932 by Gilbert Briggs, Wharfedale is one of the most creative and innovative companies in the market. Pioneering products such as the Diamond series, which first defined the market for bookshelf speakers and are now regarded as 'classic' designs, were firsts of their kind.

Continuing this tradition, IAG has invested in and developed new manufacturing processes and technologies, and an innovative building process that has enabled them to produce high quality materials for a fraction of the cost.

Paul Wheatley of Expense Reduction Analysts reviews the partnership between his company and Wharfedale: "Looking back, it is the courier project that stands out. It certainly had its twists and turns. But, going back to the beginning, when we first got the go-ahead from Tim Harris to look at this area, I was fortunate to be able to call upon the expertise of my colleague, Steve Parrott, to analyse the spend."

Steve Parrott comments: "The initial project followed the normal pattern. After looking in detail at their expenditure in this area, we were able to recommend various changes which resulted in a 19% saving. As is the norm, we then undertook our two years' monitoring service, to ensure that these savings were realised across that period.

"What I found was very significant"
"At the end of that period, Tim Harris took the decision not to opt for our ongoing service, and in all honesty, you can see the logic behind this. The incumbent supplier had retained the business so had been known to Wharfedale for many years; the tariffs were set. On the face of it, there was nothing that necessitated monthly analysis."

Paul Wheatley continued to manage the account's other requirements, and fifteen months after Expense Reduction Analysts had ceased the routine monitoring, in the course of a general discussion, he suggested to Tim Harris that things had changed

"Expense Reduction Analysts have proved that they can add profit to my bottom line. They are experts at staying on top of the detail of costs to ensure that they are realised over the longer term"

Tim Harris, Managing Director, Wharfedale

sufficiently in the courier market – suppliers had merged, services had been enhanced – that it might be worth Wharfedale's while for Steve Parrott to review their courier costs again on a contingency basis.

Steve Parrott describes the result: "What I found was very significant. Not too long after we finished our two-year monitoring, the supplier started to edge his prices up – changing the basis of volumetric weight calculations, increasing fuel and other surcharges, and increasing the per kilo rate – to the extent that they had eventually clawed back between 16 and 17% of the 19% saving we had originally identified. And the only notification that Wharfedale got of any of these changes was in very small print on the last page of an 8-9 page invoice."

"It is only something that a regular, detailed review could have noticed."
Tim Harris comments: "I was naturally surprised by what Paul and Steve showed me. That is when I realised the true value of their service. To be fair to my guys, there is no way in the world that we could have devoted sufficient time and effort to recognise that these prices were creeping back up. It is only something that a regular, detailed review could have noticed."

Steve Parrott then analysed the market on Wharfedale's behalf, recommending changes implemented in the summer of 2011, which will realise 36% savings. The significantly better savings, delivered through an alternative supplier, reflect the many changes that had taken place in the supplier market. These changes prompted the recommendation on this occasion to switch suppliers to one whose service profile better matched Wharfedale's needs.

Tim Harris summarises the value of Expense Reduction Analysts' service to his business: "I cannot recommend Paul and Steve and the service that their company delivers, highly enough. They do something which no business – certainly no business of our size – could do. They find savings, and they make sure that those savings are realised for as long as one asks them to do so."

Gas and electricity price hikes

Gas and electricity price hikes have commanded a lot of attention recently.

These price increases have been caused by a number of world events including uncertainties in the Middle East and the earthquake and Tsunami in Japan which in turn have caused worries about supply shortages going forward.

With these price hikes in mind, together with clocks going forward and the colder months fast approaching, now is the time to think about Utilities supply arrangements.

Companies need to review their Utilities supply arrangements on a regular basis to ensure they are in appropriate contracts. In some cases, companies who have not negotiated new fixed term contracts may be paying in excess of 50% more than they need to for their energy supply! In this day and age, that could prove very costly.

Companies also need to be smart when negotiating new contracts to reduce the burden of the recent price increases; in a very volatile market that sees changes on a day to day basis, this may be achieved by simply approaching the market at the right time and not when the market is at a peak. However, companies can also obtain an advantage by trying to bring all energy contracts under the umbrella of a single supplier with a single contract end date.

Not only does this simplify the administration, this will also allow companies to take advantage of better pricing as energy providers will offer better rates depending on the level of business being placed.

Energy efficiency should also be looked at, as by reducing the energy used, companies can make significant reductions on their bills. Fairly easy steps can be taken to reduce consumption, this may involve looking at replacing equipment which will involve capital costs or it could be as simple as looking at internal policies for powering off computers terminals and other equipment.

What is clear is that companies need to consider their Utility spends now and not in 3 months time when the cold dark nights are well and truly upon us.



Ten tips for reducing your charity's expenditure

Neill Summerfield, an Expense Reduction Analyst consultant, recently helped the Royal Academy of Dance save over £1m in costs. These are his top ten tips on how other charities can reduce their own expenditure.

Tip 1: Have a thorough review – Many charities decide to cut costs but don't carry out a thorough review first and make rash decisions that might not be the most effective cost savings in the long run

Tip 2: Make a list and prioritise – After conducting a review, list every element of expense within the charity and look at the ROI of each of the costs, this will help make clear which expenditures to cut first.

Tip 3: Listen to staff – After recognising potential cost savings speak to staff about their thoughts on reducing the expenditure. They might agree or point out a reason why

the expense is vital to the charity

Tip 4: Be Objective – Weigh up all options and look at the issue from all areas of the charity before making the decision to cut or change supplier.

Tip 5: Shop around – It's tempting to stay with the same suppliers for years due to lack of time to 'shop around', but this time can equate to large cost savings. What was the best deal 5 years ago probably isn't now, so look at what other suppliers can offer.

Tip 6: Negotiate – Suppliers across all sectors and industries want your business so barter with them. Don't automatically take the first offer; keep going back to each telling them you've been offered a better price.

Tip 7: Take Control – Many charities allow staff to make purchasing decisions but

managerial control is vital to ensure costs are kept to an absolute minimum. If this is not possible all purchases need to be visible through statements and receipts.

Tip 8: Read the small print – Charities often get stung as they haven't fully understood the legalities behind contracts and agreements with suppliers. Always read the small print before signing any contract and seek advice if unsure.

Tip 9: Keep up-to-date – Technology is evolving as fast as ever and there are always new ways of making tasks quicker and easier.

Tip 10: Don't lose sight of quality – In difficult economic times cutting costs might seem like the only way to survive, but never make any decisions that will impair on the quality of your services. It's just not worth it.