

WHAT ARE THE BENEFITS?



Despite a mantra for cost cutting and working within financial constraints, many facilities managers struggle to achieve lasting cost savings because of a lack of expertise in all the areas that they manage. Norman Grossman (inset) explores the benefits of outsourced cost and purchase management.

All organisations have to spend money to carry out their work. Premises management, communications, energy and energy efficiency, water and sewerage, environmental and waste management, business consumables, finance, insurance and fleet management are just some of the essential operational overheads. Without these they cannot function.

However, many are paying too much for these services because they lack the in-house expertise or knowledge to manage all of these areas effectively. Even some facilities managers who are aware of the need to control their costs, struggle to achieve meaningful savings because the time and resources to drive cost reduction programmes is not available. In a recent survey accountants KPMG concluded, 'Businesses are under constant pressure to reduce cost, yet many find it hard to do so in a sustainable fashion. Nine out of ten cost reduction programmes fail to achieve their targets, and the gains that are achieved appear to be short-lived.'

Businesses usually look at the headline prices of their essential overheads, assuming that these equate to the total cost. Not so. Just because a supplier offers you a low price, it doesn't mean you will make meaningful, long-term savings. And, how do you know if it is the best price? What if their prices go up next month and you're tied into a long-term contract? Will they apply minimum charges that push your costs up rather than down? Do you have time to monitor your prices and check your bills on a regular basis?

Traditional cost reduction programmes focus on these headline prices and short-term savings, but this approach overlooks many of the issues that affect the real cost

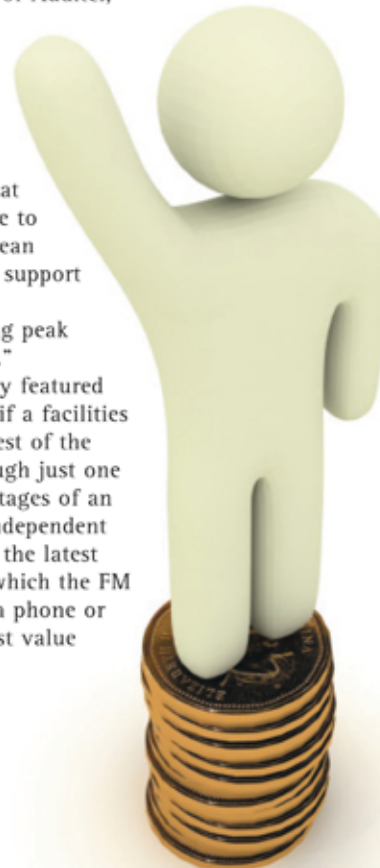
of purchasing business overheads.

All organisations want to meet their aims and really need to manage their costs consistently and diligently rather than making one-off savings. This is the true function of facilities and cost and purchase management. Increasingly, many are turning to outsourced providers of these services.

As the managing director of Auditel, a leading outsourced cost and purchase management network, said recently: "Those in the know are already making savings by employing the expertise of organisations that have the experience and time to obtain results. Increasingly lean FM teams are also using the support of outsourced consultants to complement their staff during peak periods of corporate activity."

The Facilities Show in May featured over 120 suppliers. Imagine if a facilities manager, could access the best of the services that they need through just one contact? Consider the advantages of an association with a valued, independent and trusted adviser who has the latest knowledge of the areas for which the FM is responsible at the end of a phone or email, and who can offer best value and service via an extensive network of internal and external contacts.

Facilities managers face ever increasing competitive pressure. To become more effective they must deliver high quality services, reduce costs and demonstrate good performance. An outsourced



Several leading businesses have taken advantage of outsourcing their cost management function. Here are some results.

• The UK arm of an international fashion group.

- £7,500 Electricity
- £5,000 Data Charges
- £8,500 Internet Access
- £7,500 Asset Management
- £1,500 Billing Error Refund
- Total Annual Savings: £30,000 for 18 months**

• An IT services company, specialising in whole of life product support, including spare parts and repair management.

- £1,500 (16%) Saving on Leased Lines
- £6,000 (25%) Savings on Fixed Lines
- £15,000 (50%) On Mobile Phones
- £4,000 (25%) Saving on LPG
- £6,000 (22%) Saving on Electricity
- Total Saving: £32,500**

• A shopping centre:

- £48,000 Electricity Refund
- £1,500 Incorrect billing compensation
- £74,700 (69%) Savings on Electricity Supply per annum
- Total Annual Savings £76,200**
(Plus additional £48,000 Electricity Refund)

• One of the largest UK contract soap manufacturers, specialising in the development, manufacture and packaging of bespoke personal care products for high street stores and designer brands.

- £34,657 Water
- £59,493 Gas
- £7,642 Electricity
- £2,213 Waste
- £30,900 Energy Efficiency
- Total Savings to date: £104,000**

Outsourced consultants work with all types and sizes of businesses. The multi-site YMCA Movement in England achieved savings of £135,012 over mobiles, electricity and gas, waste and other expenses. Their head of shops, Paul Sargison, said: "The management of this project has been excellent. We have made some really significant savings which will bring real benefits to the people we are working with."

service can be of immense value without compromising the professionalism and efficiency of your organisation. This is an era of constant change, and managing change is the new business imperative.

Best practice reviews

However, as in any other profession, there is best practice in cost management.

Managers should always check exactly what they are going to get. For example, one of the most important things to consider when employing an outsourced expert is their auditing procedure. Best practice review processes should include the following factors:

- A comprehensive, in-depth review of current essential services expenditure
- A thorough analysis

to determine where savings can be made

- A detailed report of recommendations including information about how the consultancy will earn their fees, e.g. on a contingency basis or a set fee
- The consultant will take full responsibility for managing relationships with existing, or new suppliers



Achieving the projected savings should be just the beginning of the job. The consultant should continue to assess current expenditure against new tariffs and services as they become available, to ensure that benefits continue from optimum cost efficiency across all essential business outgoings.

Most facilities managers would

naturally prefer ethical business solutions (often referred to as Corporate Social Responsibility). They recognise the need to be accountable for the impact of their activities on the environment and society.

Norman Grossman writes regularly on cost management matters.

