



Procurement-One Network
Corporate Cost-Reduction Services
SPEND LESS & flourish



Procurement-One Network
Corporate Cost-Reduction Solutions
for Small to Mid-size Companies

Cost-Reduction Tip #9:
The Power of Cost-Reductions on Profits

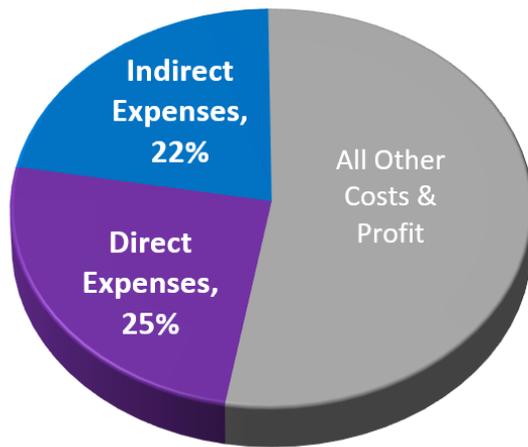
OUR MISSION: To help small-to-midsize companies in their quest to maximize their profits by giving them the tools to become best-in-class on all their costs.

THE POWER OF COST-REDUCTIONS ON PROFITS

Greetings!

**The Power of Cost-
Reductions on Profits:**

Expenditures as % of Revenue



Two events increase Profit:

- 1) Increased Sales.
- 2) Decreased Costs.

Preferably both.

True corporate cost-reductions are never about reducing value or purchased content, but about securing "best-in-class" supplier pricing and identifying and eliminating cost-waste, thru market knowledge and cost-

reduction expertise.

The average company spends 47% of their revenue on purchased goods and services: 25% on Direct Expenses (COGS) and 22% on Indirect Expenses (non-COGS).

Direct expenses typically have fewer spend categories to manage, while [Indirect expenses](#) have many diverse spend categories.

Therefore, most companies are able to manage well all their "Direct" spend categories, while few are able to "managed well" all their Indirect spend categories.

THE KEY: Experience has shown that when an Indirect spend category is "not yet well managed" (due to time limitations or lack of expertise), but then becomes "well managed" an average 20% savings occurs -- without any changes to the value or content received.

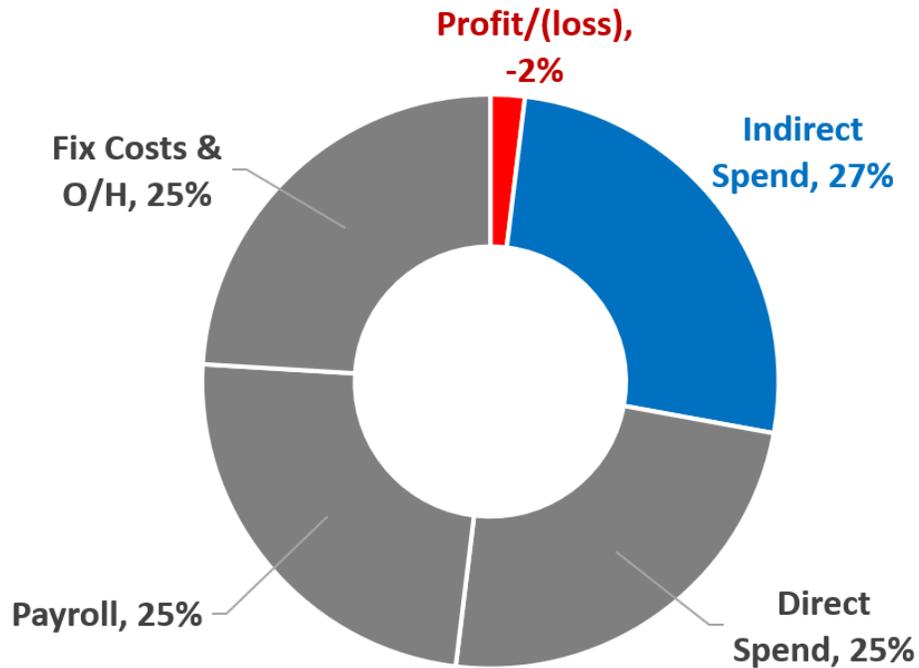
THE POWER OF CORPORATE COST-REDUCTIONS (theoretical examples)

SCENARIO #1 (Company with operation loss):

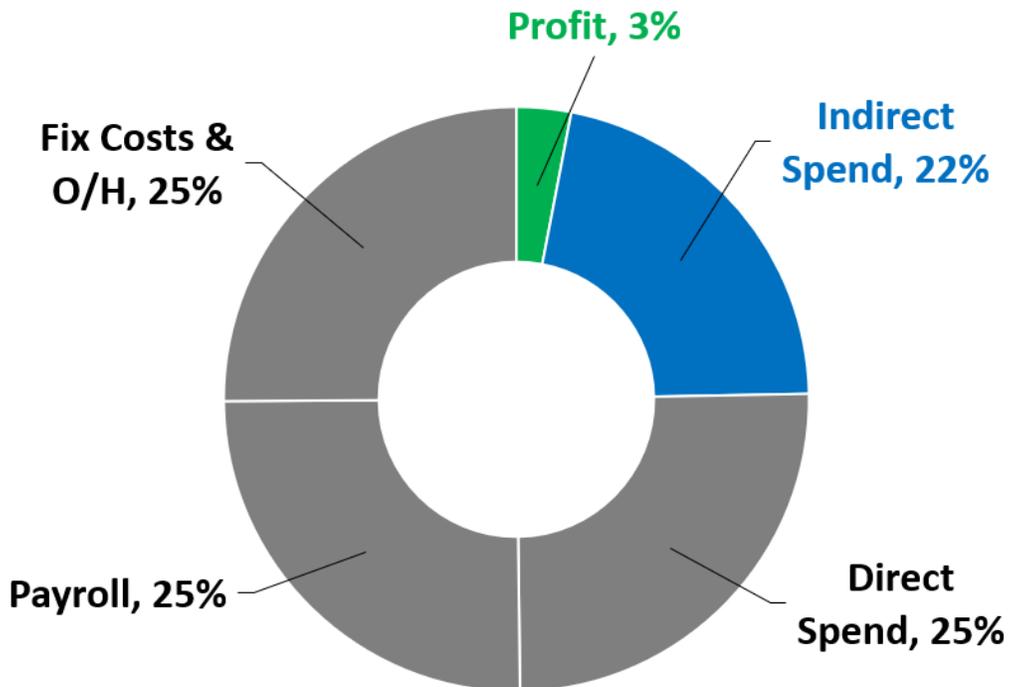
A certain company struggles to become profitable and has a 2% net loss, due to high total cost of Indirect expenditures (27% of revenue).

All Indirect spend categories were considered either "semi-managed" or "not yet well managed," leaving a potential opportunity for a 20% cost-reduction to occur, which would reducing Indirect rate to 22%, and so turn their 2% Operating Loss to a 3% Operating Profit on their company's income statement:

Profit/(loss) **BEFORE** Cost Reduction



Profit/(loss) **AFTER** Cost Reduction

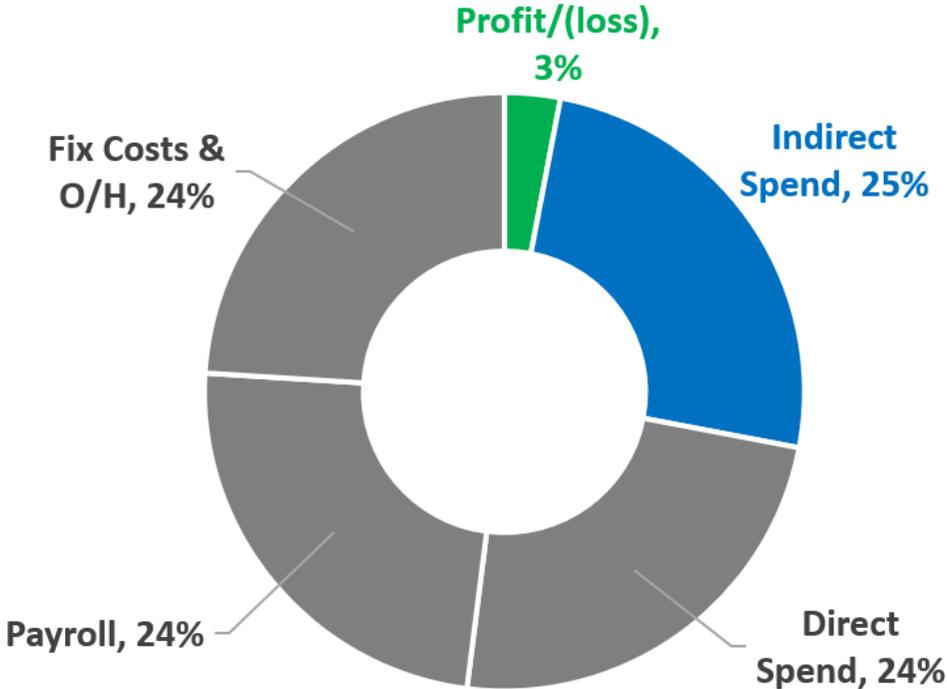


SCENARIO #2 (Company with operation profit):

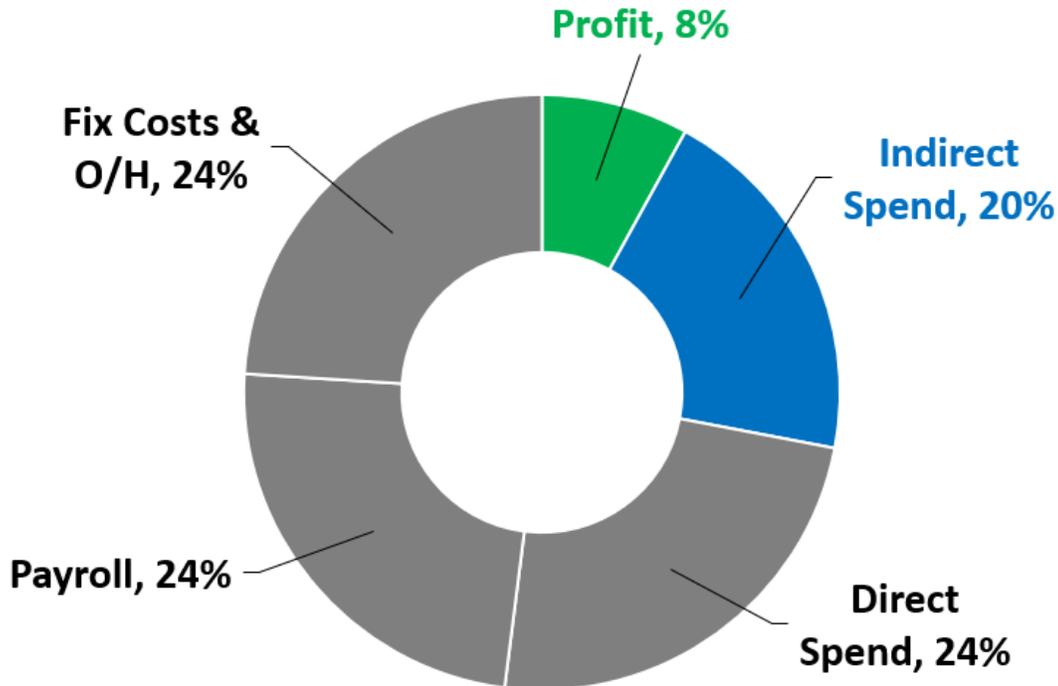
A certain company enjoys a small Operating Profit rate of 3%, but wishes to increase their profit to a more healthy level.

All Indirect spend categories were considered either “only semi-managed” or “not yet well managed,” leaving a potential opportunity for a 20% cost-reduction to occur, which would reduce their Indirect spend rate from 25% to 20%, and so increase their Operating Profit from 3% to 8% on their company’s income statement:

Profit/(loss) BEFORE Cost Reduction



Profit/(loss) **AFTER** Cost Reduction



*"When you manage a spend category 'well'
a 20% (or more) savings results"*

*****Webinar Coming Soon*****
Corporate Cost-Reduction Tools & Tactics Bootcamp

Procurement-One offers our Clients the following corporate cost-reduction solutions:

1. WEBINARS & BOOTCAMPS: Cost-reduction Bootcamps (online or onsite).
2. SUBSCRIPTION ACCESS: Affordable Monthly Advice Access programs.
3. HOURLY CONSULTING: Corporate cost-reduction consulting services.
4. PERFORMANCE-BASED INITIATIVES: Cost reductions initiatives where we identify and implement after your approvals (no out-of-pocket fees).

We are pleased to provide you our free **Self-Assessment Savings Opportunity** worksheet. **Free Download:** [Self-Savings Estimator Worksheet](#).

Please feel free to contact us at:

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Top Corporate Cost-Reduction Areas & Tactics

