

COST CONTROLLER

Cost Saving Tips for 360 Legal Members



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1: PAPERLESS OFFICE – I DON'T THINK SO!

I think it was back in the mid-80's when the concept of the paperless office was first banded about, most probably by IBM who had world domination on their mind at the time.

Here we are twenty years later and if anything, with the advent of printing off every email we receive, there is possibly more paper in circulation in your office now than ever before.

I would like however to focus in this article on the amount of paper that goes through your business every day just to pay for the running of your business!

Did you know:- the average cost of processing an invoice in a business, according to the Chartered Institute of Purchasing and Supply, is £42.

It seems quite a lot of money but if you follow an invoice through your business, gauge how many people handle it and for how long, and then the time and cost of the payment process you can see how it could be this high.

Why am I telling you this fascinating fact you may ask? Well apart from it being a sure fire winner in a "pointless comments" competition, it should also lead you to start looking at the number of invoices you sign off each day and more importantly the value of them.

Even though the cost of processing these invoices is unseen you can quickly start to work out whether you are actually getting best value from your cashier or finance manager or whether you are just paying them to literally push paper all day.

In carrying out reviews for firms we have seen a visible reduction in the amount of paperwork in the accounts department by following three simple rules.

Rule 1 – Consolidate invoices. If you use a supplier on a regular basis throughout a month ask if you can consolidate their invoices to one monthly statement covering all purchases. If you currently get billed per order, which is still commonplace in the office supplies market, then the impact can be dramatic.

Rule 2 – Consolidate suppliers. If you use more than one supplier in the same area of expenditure then see if you can reduce this down. The days of playing suppliers off one another is gone and by putting your business through a sole supplier you maximise your own buying capabilities.

Rule 3 – Consolidate small payments. There are some instances where you need to make a one-off small purchase from suppliers you may never use again. Pay these amounts using your business credit card and therefore consolidate them to your credit card statement once a month.

Don't forget – less paper in the office equals more money in your pocket.



2: THE MYTH OF THE MOBILE PHONE DEAL

Picture the scene if you will, a client who you have worked with for the past couple of years contacts you with a proposition.

- They want to pay you a monthly retainer guaranteed for the next 18 months by direct debit based on the average numbers of hours of work you do for them each month.
- The fee is to be calculated on your normal charge out rate less 10%.
- If they need less than the average amount of work you still keep the monthly retainer.
- If they exceed the agreed number of hours of your time you can bill them at your normal rate plus 50%.

Sounds good doesn't it – just a few clients like that would give you a solid business base. I can't imagine anyone who would not accept such a proposition as almost all the risk of that client has gone. Guaranteed income which more than covers the discount on your rates, payment by direct debit so no credit control required, and if they ask you to do more than normal you can charge them one and a half times your going rate.

So what has this got to do with mobile phones? Well if you apply this proposition to the mobile phone industry you will see that you and the majority of mobile users currently subscribe to exactly this type of arrangement.

Mobile phone dealers and the networks are masters at packaging their offering in a multitude of ways but in the end whatever the deal it is set to make them money. They are the masters of the "freebie" – free handsets, free minutes, free texts, goodness they should all be registered charities!

But lets face it nothing you get from them is free. The free handset is paid for by your "line rental" charge as mobile phones don't have a line to rent. Likewise for your free minutes and texts the fact that they offer you a million free texts per month is because they know that you will actually use 100, so it is a hollow promise.

So what do you do when you want to change your mobile deal?

- 1) Don't be blinded by the fancy new handset they offer you for free – you will be paying for this in your line rental
- 2) See if they will offer you pay-as-you-go terms that will mean you pay for what you use
- 3) Check your bills and see what number of minutes and texts you use per month on average. If this comes to say 500 minutes and you are being offered 5,000 bundled minutes then ask them to decrease the offer



3: BAD BUZBY!

In February 2008 BT Retail (very quietly) announced that they intend to change their terms and conditions for business customers who have a Business Single Business Analogue Line – which in turn is the majority of you who are reading this article!!

It is understood that BT will convert these lines to a new line category with Call Divert included as part of the package – this means that all customers who do not advise BT that they do not wish to do so will be automatically converted to a 12 month contract!

So should you be bothered about this? Yes on a number of fronts – are you happy for BT to work on an opt-out basis? Are you aware that you can have your line rental billed by another supplier at a lower rate than BT and this will stop you being able to do that? Are you happy that to now get out of your contract with BT you will be penalised for the remaining rental charges of the contract?

The industry regulator, Ofcom, stated in the closure of a complaint last year, that “ the use of ‘negative opt-out letters’, which advise customers that they will be transferred unless they object to the transfer, is unlawful in most circumstances, and that Ofcom will take swift action in the event that providers attempt to transfer customers without their consent” and “Ofcom’s rules require that customers should know what service they’re buying” www.ofcom.org.uk/bulletins/comp_bull_index/comp_bull_ccases/closed_all/cw_924/. We will see!!

4: HOW GREEN IS YOUR OFFICE?

The environmental card has been played many times in business over the years and each time it rears its head it is does so with more voracity and more staying power. This time round it looks as if the drive for sustainability in the workplace is here to stay and we must each take a view as to what we are willing to do to comply.

In the end the balance you need to strike is between being green and being commercially savvy. In previous attempts to persuade business that green is the way forward it has fallen down shortly thereafter when price and product quality come to the fore. Increased price and reduced quality is not the best way forward for any business.

But as with many areas of supply when the initial attempts are somewhat flawed a bit of perseverance can pay dividends in the long run. I am sure one or two of you in the past will have gone down the route of refilled printer cartridges that not only fail to print properly but you need to buy twice as many as the originals you used to buy, or you will have been swayed by early attempts to get you to move from BT to another telecom provider when all you had to do was dial in a prefix of six numbers!

Both of these attempts to assist you will have left you with slightly smouldering fingers and an increased mistrust of suppliers. However nowadays only 5 years later both reconditioned IT consumables and alternatives to BT are the norm and are as good as the original but usually far lower in price.

So can we safely say that green is the best way forward both morally and commercially for your business? Most probably not in all instances, some suppliers are claiming their green credentials just to make sure they are on the bandwagon but their claims can be tenuous to say the least – the utility companies to name just several!

5: HOW GREEN IS YOUR OFFICE (Part 2) – CAN GREEN BE PROFITABLE?

As I intimated in my previous article the power companies are very good at jumping on the green bandwagon but realistically it is difficult for them to back up their credentials. The majority of our utility suppliers still only get a small fraction of their energy from renewable sources and even those suppliers who report to be totally green are just buying what is available in the market rather than generating it themselves, thus their prices can be 30-40% higher.

So if they are only using small amounts now what are they doing about it for the future? All suppliers are investing in renewable energy but at only the fraction of the cost of other energy sources. In 2007 investment in renewable energy by the power companies ranged from £103.7M by Powergen down to £0 by Scottish & Southern (source www.whichgreen.org)

So, it appears, you are not going to save the world by choosing the right energy supplier but you can make a start by good management of your energy usage in your office. The recently created Legal Sector Alliance (www.legalsectoralliance.com) set up by The Law Society and leading figures in the legal sector to look at how the legal industry is impacting with the environment have created a checklist of ways to improve energy efficiency -

- ✓ Ensure that all equipment and lights are turned off when not in use.
- ✓ Install movement sensors to meeting rooms
- ✓ Switch off monitors when away from their desks for more than 5 – 10 minutes and shut computers down when they leave the office. Turning off a single computer when not in use instead of on standby can save as much as £5 every
- ✓ Reduce energy bills by turning down the heating when it is not needed and always ensure that this is done before opening a window – check that heating is not timed to come on overnight or at weekends
- ✓ Turning the heating down by one degree saves 8% of the energy bill a year
- ✓ If extra heating is needed, use oil-fuelled rather than electric fan heaters. They use 750w of energy as opposed to 3kw
- ✓ Ensure all light bulbs are energy efficient – LEDs are more efficient than halogen
- ✓ Ensure air conditioning vents or heating are not blocked by office furniture/boxes

Good energy management will mean lower bills and a smaller carbon footprint for you and your firm.



6: HOW GREEN IS YOUR OFFICE (Part 3) – THE FINAL INSTALLMENT!

For those of you who are stoically following this ongoing diatribe about being green in your office you will be undoubtedly relieved that this is the final part of the green trilogy.

After explaining in Part 2 that the best way to be green with your utilities is to turn off your lights rather than wait for the power companies to become environmentally conscientious, I am pleased to say that you can be green in your office and it does not have to cost the earth! Excuse the pun.

In almost all legal practices the main areas of regular overhead expenditure is on stationery, printing, and telecoms. The final area, telecoms, is already pretty green – it stops you having to go out in your fuel guzzling, CO2 emitting vehicle, and a phone call is pretty light on electricity usage. The other two areas mentioned, stationery and print, have great scope to be even greener.

Regardless of which stationery company you use they will have an environmental range – if they have not told you what they can do just ask them. You no longer have to put up with greyish mottled recycled paper, cardboard pens, or brittle rulers, the new ranges are of a comparable quality to your existing products and at a similar price. Here are a few things you can do today -

- ✓ Look at how the supplier delivers the products, do they use recyclable bags or cardboard boxes that are then thrown away?
- ✓ Can you reduce the number of orders you make to once or twice a week rather than every day? Your supplier will do as you tell them so if you everyone reduced their orders that in turn would reduce the number of delivery van journeys.
- ✓ Does your supplier offer to take away used paper to be recycled? Will this paper be introduced back into their product ranges?
- ✓ Ask your printer whether they have a range of recycled papers that you could print your letterheads on or recycled card for your business cards and corners. Again you will be surprised at the quality available.

7: PRACTICAL STEPS TO BEAT THE CREDIT CRUNCH

These are difficult times for all businesses but for the legal sector in particular it comes on the back of a challenging few years where the infrastructure of the whole sector is under threat.

But away from these additional "challenges" you, like all business people, need to ensure that your company does all it can to survive the downturn and here are a few tips on how you can do this starting today.

- **Promote a profit culture** – how many of your staff don't treat your firms money as they do their own? Do you tell them what you are trying to achieve in terms of income and profit? Do you reward them if profit levels are exceeded? A profit culture in a business starts at the top!
- **Challenge your suppliers** – are your suppliers implementing regular price increases on your supplies? Do you ever refuse to accept and increase? Do you think a supplier will stop supplying you if you refused a 5% increase?
- **Keep your fees in line** – are you aware how the overall price increases in the economy are affecting your profit levels? Have you increased your fee structure to compensate? If you do let's hope they have not read the previous point!
- **Don't take the bait** – if you are offered a deal by a supplier to save you vast amounts of money that seems too good to be true that is most probably the case. Don't forget there is a cost for everything and an offer of something "free" will be funded by you elsewhere.
- **Don't ignore your indirect costs** – good cost management is not just about beating up suppliers it is also about your administrative processes too. If you have a supplier who invoices you for every order, ask them if they can give you a consolidated monthly invoice instead. This way you know the maximum number of invoices you will process for that supplier will be 12 a year. On average an invoice costs your business £42 to process.

Some of these ideas will take time to implement particularly if you are trying to change peoples' attitudes but it is worth persevering for your long term survival. Maybe the start point is to challenge your own views on how you work and run your own department or business?



8: PUTTING THE I.T. INTO PROFIT.

I have been dealing with legal firms of all sizes for seven years now and it never fails to amaze me the reaction to those two little letters I and T. It starts with a flush of the face followed by the subsequent draining of their entire colour and the big finale when the eyes totally glaze over!

I have often delved into why it causes such a reaction and find it is usually related back to the purchase of a new network or case management system or software accounts system that was going to revolutionise the firm to the extent where you just had to press "Enter" and it would do it all for you. Partners could work half days, you could reduce staff to a part time cleaner, and this would all be yours for just £50,000. Fantastic!

So what happened? It did not deliver the golden egg laying goose, it did not make things easier, in fact it didn't do anything that was of the remotest use to your firm at all. It cost a fortune, and the money is lost!

But that was then and this is now – time moves on and so should all of us. Those firms that got over the early setbacks and have embraced technology are the ones who are now streamlined and suffering less in difficult times, they are the ones that realised that IT, when applied correctly, provides the best return on investment you can get.

I cannot tell you what IT to use in your business – there are 100's of products in the market place and all have their own application within a business. However I can provide you with one "Do and Don't" that I hope will help you –

DO – use an IT supplier who has experience of working in the legal sector. The legal sector is unique within business and things such as case management systems and accounting software need to be understood in terms of the technology and more importantly in terms of how they make you business function. Your local IT support firm based a few doors down does not have this expertise.

DON'T – assume that it will cost a fortune and that you need to find an enormous chunk of money just to get the project started. Nowadays more and more suppliers are appreciating cash flow concerns of firms and enabling payment to be spread over a period of time, if the supplier cannot then despite the economy there are still lenders who will assist you.



9: REDUCING THE UNREDUCEABLE

As the gloom of the economy worsens we find ourselves looking closer and closer at what we spend each month within our business to see if we can cut back just a little more on our expenditure.

The obvious areas have already been looked at – reducing training budgets, buy less stationery, limit the entertaining – but there are always entries in your accounts that seem to be untouchable. But are they?

Here are a few areas where you can influence your expenditure where perhaps you thought you could not –

Business Rates – the “Council tax” for business and a payment we begrudgingly make each month. If you are a small business you need to make sure you have been receiving the small business relief available on you business rates. If you are a larger business paying over £20,000 p.a. on business rates you may want to investigate an appeal against your rates. Such appeals are carried out, on the whole, by firms of surveyors usually on a no save no fee basis. User a reputable firm as appeals could lead to increases too!

Water Rates – if your water rates are not calculated through a meter you may want to ask your water company to review your expenditure with them. As with business rates above there is not always a saving to be made however sometimes you can find that you are actually being billed for adjoining or unrelated properties.

Postage – surely the price of the stamp is the same wherever? No it is not – to start with if you frank your mail you get a discount of at least 2p per letter, and if you send large volumes of post by Royal Mail then you may qualify for one of their numerous mail discount schemes which can give you savings of 10%+ (www.royalmail.com). If you use DX then look at their new software product that ensures your address database is fully up to date with correct DX addresses maximising how much you send through DX (www.afd.co.uk/dxaddressbook)

BT Line Rental - maybe not as obvious as the others but a large majority of you will have BT lines into your offices where you are paying BT for the line rental. If you allow another telecoms provider to invoice you for the rental they can do so for up to 15% less even though the line and number remains the same and if there is a fault BT will fix it.

