

STRENGTHENING YOUR BOTTOM LINE

DURING PANDEMIC SEASON

COVID-19 SPECIAL EDITION

STEPS THAT BUSINESSES CAN TAKE TO SUSTAIN
REVENUE AND IMPROVE BOTTOM LINE

APRIL 2020

INTRODUCTION

Uncertain times like the COVID-19 pandemic call for better **cost management**. With a possible recession looming, companies are taking measures to ensure the continuity of their business by maintaining a good bottom line.

One of these measures includes **cutting costs**. In a Gartner survey, over 62% of CFOs have plans in place to make across-the-board cuts for categories in selling, general and administrative (SG&A) budgets and are planning budget cuts in other categories by at least 10%.

These budgets are deemed as precautionary measures in anticipation of the economic slowdown left in the wake of the COVID-19 pandemic. While it's a great weapon to have in your arsenal during this period, other underutilized cost-cutting opportunities for bottom-line improvement may be used during this make-or-break period for many businesses which will be explored further in this document.

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#1 CLARITY THROUGH ANALYTICS

Cutting cost begins with having visibility over your current expenses. In critical situations like this pandemic, knee-jerk reactions in decreasing spend tend to take precedence over more strategic, long term spend management.

A common decision is to delay large expenses. In order to do this strategically and effectively, **functional leaders and procurement executives require clarity over spend trends, contract renewals and active purchase order (PO) data.**

#1 CLARITY THROUGH ANALYTICS

SPEND ANALYTICS

Insights from good spend analytics have the capability to highlight trends and inform business leaders when large or alarming spikes occur from budget owners across your business.

CONTRACT MANAGEMENT

Visibility over your contracts gives better control over your contract life cycle management. Specifically, it reveals upcoming contract renewals that can either be delayed or eliminated in efforts to reduce cost.

PURCHASE ORDERS

Similar to your contracts, visibility into open purchase orders (POs) highlights expenses that your business is currently committed to and helps decide if they can potentially be delayed or renegotiated.

With a detailed analysis of your available spend, contract and purchase order data, informed decisions are derived more effectively to cut expenses.

Hence, a capable analytics feature in your procurement system will be a good aid for you during critical times where you need to cut down on expenses.

An adoptive procurement system like **ADAM** equips you with spend analytics at your fingertips and breaks them down by category, branch and vendors for a thorough understanding and visibility of your expenditure.



#2 CONTROLLING YOUR CASHFLOW

There are two misconceptions of reducing expenses:

Misconception #1: Limiting your outflow translates to eliminating expenses altogether.

Misconception #2: Controlling the outflow of cash is the responsibility of CFOs.

#2 CONTROLLING YOUR CASHFLOW

CONTROLLING YOUR CASHFLOW

To debunk these misconceptions, we'll explore collective ways business leaders can play their part in controlling expenses.

If you're a business owner, you may have needed to adapt to the possible economic fallout by having immediate plans in place to ensure the continuity of your operation. Now if you're a procurement leader, you may play a role in supporting those plans.

Odds are, you're already reducing SG&A expenses (selling, general, and administrative expenses) and eliminating other indirect costs since remote working kick-started. **Here are other proactive ways you can play through your role as a procurement leader in tightening up spending during the pandemic season:**

- Be firm on your approvals and review your current approval flows to ensure there are no loopholes
- Implement a PO policy where a Purchase Order is required for purchases to be made
- Review the categories made available for your users and limit them to necessary categories

To lend a helping hand in your cost-controlling efforts, **ADAM** digitalises the above methods with built-in PO control features and approvals while giving you extensive visibility over your company purchases.



#3 LEVERAGE ON WHAT YOU HAVE

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Having a preferred vendor which you've negotiated with better prices or more volume has the capability to reduce 5-20% in unit prices.

OTHER COST-CUTTING AVENUES: LEVERAGE ON WHAT YOU HAVE

Turn existing information into valuable cost-cutting measures. Start by asking yourself: “how can I purchase more effectively?”. This especially applies to must-have purchases that might be difficult for you to eliminate altogether.

In purchasing effectively, the consolidation of your vendors and contract pricing agreements are areas worth exploring for reducing your tail-end expenses.

VENDOR CONSOLIDATION

Many procurement teams have resulted in using vendor consolidation as a method to generate consistent savings. If you have overlapping vendors that supply a similar product or service, this season is a prime time to opt for a preferred vendor. **Having a preferred vendor which you've negotiated with better prices or more volume has the capability to reduce 5-20% in unit prices.**

#3 LEVERAGE ON WHAT YOU HAVE

ORDER CONSOLIDATION

Other consolidation options available in your cost-saving arsenal is consolidating orders. This tactic pays off if you have multiple branches, departments or users that order similar items. The biggest advantage of order consolidation isn't limited to cost-saving; it also reduces paperwork and payments. The best part? You can apply this to both your direct and indirect expenses.


EXISTING STOCK

Have you taken a look at your existing inventory during this period? If you answered no, we have a good reason for you to check on your old inventory. **Review what you currently have stocked up and assess which items can be re-allocated for different projects or even be sold.**

Consolidating orders and vendors work toward the end goal of reducing maverick spend.

Maverick spend is often recognised as expenses that are swept under the carpet. If not monitored, maverick expenses can accumulate into a leaking bucket for your company.

To overcome maverick spend, **ADAM empowers your users to procure from preferred suppliers along with contract pricing monitoring.** Through the analytics features, you can gain visibility of purchases made to drive any cost-saving action plans required in the event of overspending.



The biggest advantage of order consolidation isn't limited to cost-saving; it also reduces paperwork and payments

The background image is a blue-tinted photograph of a person's hands holding a smartphone. The smartphone screen displays three circular progress indicators with values 85%, 60%, and 35%, followed by a line graph and a table of financial data. The laptop screen in the background shows a stock market line chart and a performance metric of 95%.

#4 REVIEWING AND RE-FORECASTING

leverage on what you have

#4 REVIEWING AND RE-FORECASTING

LOOKING AT THE BIG PICTURE BY REVIEWING AND RE-FORECASTING

Without a doubt, the economic side effects COVID-19 left in its wake tested the agility of many business owners. It prompted quick action to ensure business continuity and forced managers to tweak plans that have been set.

While none of us has a crystal ball to predict the true nature of this economic fallout, focusing on the big picture by reviewing and re-forecasting may help you avoid its long-term repercussions.

REVIEW BUDGETS: CURRENT AND FUTURE

As mentioned earlier, one of the best tools available to you for expenses is visibility over them. Before you cut costs, you need a clear view of your current and future expenses as well as your overall budget for your variable expenses.



#4 REVIEWING AND RE-FORECASTING

FORECAST ALL POSSIBLE OUTCOMES

Prior to exploring the best and worst possible outcome for your business, **run a break-even analysis with your current data to assess where you stand for different scenarios.**

Next, run best case and worst case scenarios of your forecasts. You can do this based on periods for instance 6 months, 12 months or even 24 months down the line because let's face it, we don't know how long this pandemic will last and forecasting for the future allows you to prepare for possible contingencies.

Based on your best and worst case scenario outcomes, proceed to adjust your budget and any anticipated expenses.

A POST-RECOVERY PLAN

Sure, we may not know how long the business impact of COVID-19 will last, but once it's over you can thrive by hitting the ground running by having post-recovery plans in place.

Strategising a post-recovery plan in advance is a great leverage to apply once the market starts to improve again.

#4 REVIEWING AND RE-FORECASTING

DEFER COST WHEREVER YOU CAN

Now's a critical time to make cost-cutting or cost-deferring decisions by renegotiating existing contracts. If you previously had annual agreements, it's prime time to revise them into monthly or quarterly subscriptions due to the unpredictability of this pandemic. This applies for both strategic and non-strategic vendor contracts.

ZOOM INTO DISCRETIONARY COSTS

Discretionary sounds like a mouthful but the definition of discretionary costs is simple: **it refers to non-essential expenses.**

With business plans changing, the expenses attributed to it will change as well. What was once essential could now be dispensable given employees are now working remotely.

Former must-have expenses you can consider putting into the discretionary cost list:

- Pantry
- Office supplies
- Employee engagement expenses
- Events and conferences
- Marketing and advertising
- MROs: Maintenance and repair expenses
- Employee travel expenses



CONCLUSION

Improving your company's bottom line is a collective effort. It's even more imperative during these challenging times to rally your team together to create proactive measures in strengthening that bottom line.

While your employees may be working from home in their social distancing efforts, **communication has become a key tool for clarity and maintaining accountability.** Constantly practice good communication to help everyone in your organization understand the new spend strategies you have enforced during this season.

Smoothen the communication process with the help of a cloud-based procurement system like ADAM for an easier enforcement and transition of your cost-cutting plans.



SUMMARY

The COVID-19 outbreak has impacted companies in multiple areas and hence forcing business owners to respond swiftly to operational and financial challenges. In such instances, transparency is vital and beneficial in making informed decisions.

On that account, transparency could be gained by leveraging on analytics as it provides insights and detailed analysis in important areas of your business such as expenditures, contract management and purchase orders.

Procurement leaders on the other hand could assist your business further in this prevalent time through controlling your cash flow by constricting expenditures, having firm approvals and implementing a PO policy.

Additionally, leveraging on what you already have would be prime in helping your business make effective purchases and reduce expenses by scrutinizing in consolidations with your vendors and orders.

In strengthening your bottom line further, reviewing and re-forecasting has become more essential in this challenging time.

STRENGTHENING YOUR BOTTOM LINE

Here's a summary and guideline of areas your business can focus on to strengthen your bottom line

WHAT ARE THE KEY FOCUS IN YOUR COST-MANAGEMENT STRATEGY?

- 1.
- 2.
- 3.

#1 CLARITY THROUGH ANALYTICS

- ☐ Ensure that you have transparency over your current expenses.
- ☐ Spend analytics provides trend insights and informs business leaders when a spike in expense occurs
- ☐ Have visibility over your contracts to get better control over your contract life-cycle management
- ☐ Visibility on open POs will help you decide which ones can be delayed or eliminated

#2 CONTROLLING YOUR CASHFLOW

- ☐ Procurement leaders can be more vigilant in tightening your business' spend
- ☐ Be firm on approvals and implement a PO policy

#3 LEVERAGE ON WHAT YOU HAVE

- ☐ Seek to have a more effective purchasing strategy in place
- ☐ Consolidate your vendors and contract pricing agreements to reduce your tail-end expenses
- ☐ Review existing stocks and assess items for re-allocation for different projects or even to be sold

#4 REVIEWING AND RE-FORECASTING

- ☐ Review your current and future budgets before cutting costs
- ☐ Forecast potential outcomes and run a break-even analysis for different scenarios
- ☐ Have post-recovery plans in place to apply when the market improves
- ☐ Revise agreements and renegotiate existing contracts to defer costs where possible

ABOUT SUPPLYCART

Supplycart is Malaysia's B2B e-Procurement platform that helps businesses achieve efficiency by impacting the way they obtain and manage their procurement needs.

Supplycart has helped over 1,800 businesses nationwide by enabling them to adopt technology to digitalise their procurement.

Through its core offering of ADAM, Supplycart's goal is to work alongside businesses so they can procure more efficiently, thus saving them time and money while putting back value into what truly matters for their business.

Procurement made easy with Supplycart.

ABOUT ADAM

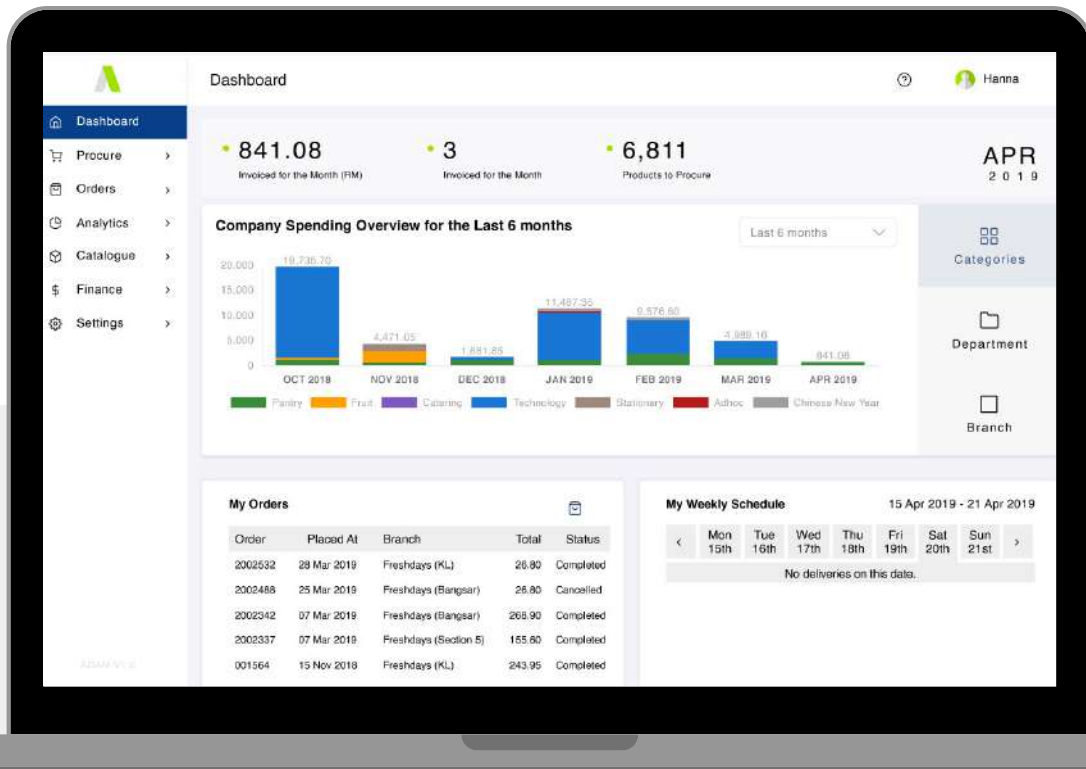
ADAM (**Analyse, Digitalise, Automate, Manage**) helps businesses to innovate and digitalise their procurement through a centralised cloud-based platform.

ADAM provides businesses with a seamless procurement experience by giving them improved spend visibility, budget controls through PO compliance features and a dedicated system that helps you manage multi-branch catalogues.

Re-imagine the way you procure with ADAM.

Book your FREE ADAM demo here:

<https://www.supplycart.my/aboutAdam>



Simplify Your Business's Procurement

Supplycart simplifies procurement for businesses through a single platform

- **Online cloud-based platform**
Digitalise and simplify your company's procurement processes
- **Sourcing made easy**
Access our database of over 20,000 products and services with over 700 verified suppliers
- **Vendor management made easy** with consolidating all your vendors within one platform

Features



Customisable
Catalogues



PO Control &
Blanket PO Feature



Contract Pricing
Feature



Spend Analytics
& Report



Multi-user
and Multi-
branch Feature



PROCUREMENT MADE EASY

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