

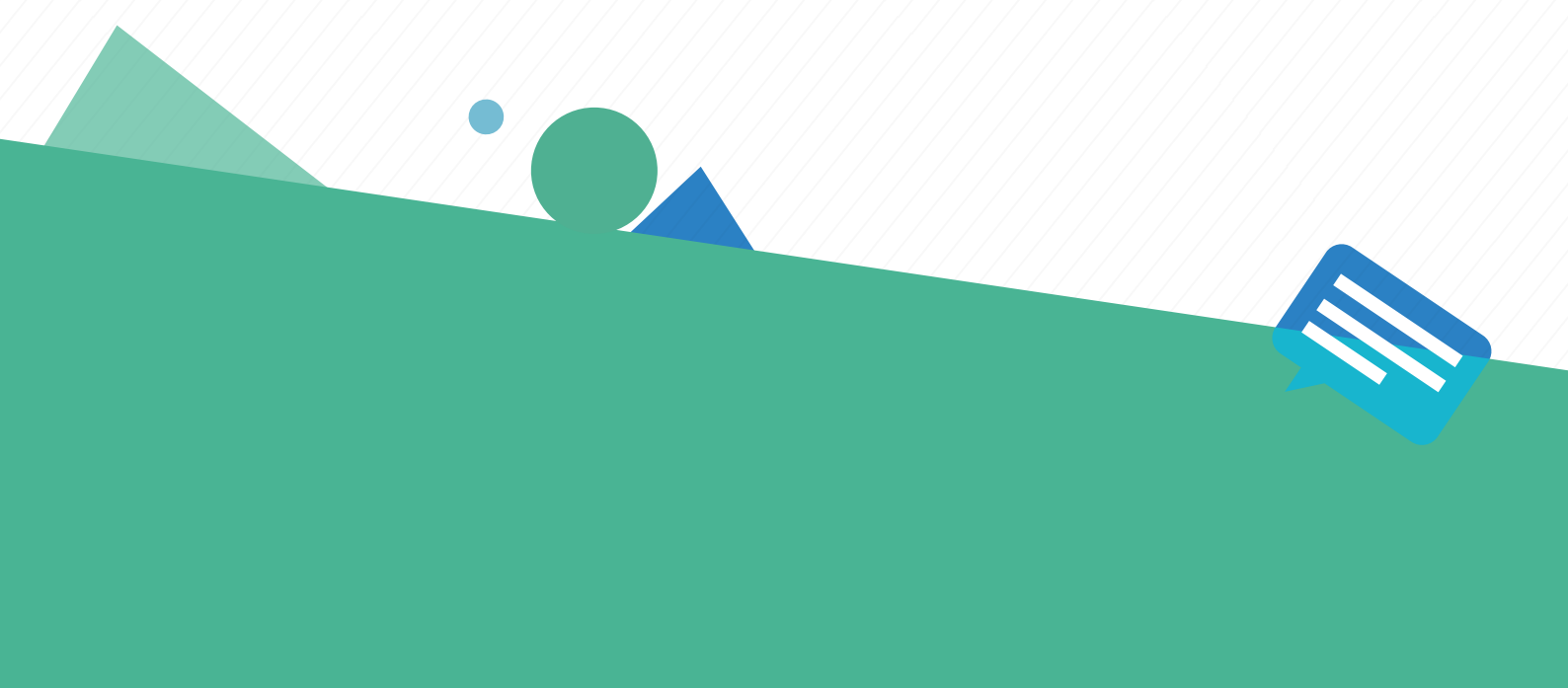


How to Cut Costs in the Short- and Long-Term During a Pandemic

As the COVID-19 pandemic continues, many businesses face both short- and long-term financial risks. Even when the pandemic ultimately subsides, there could be a prolonged economic impact that companies need to account for. As such, finance and procurement teams need to carefully examine ways to achieve cost savings both now and in the future.

At the same time, businesses have to balance the effects of cost-cutting measures on long-term growth. For example, cutting staff now may achieve short-term cost savings, but it may not be in the best interest of long-term growth.

So, in this guide, we'll explore short-term savings opportunities that could potentially be implemented with minimal negative impact on operational efficiency, customer experience, employee experience, etc. We'll also dive into long-term savings opportunities that might require a slight initial uptick in resource investment but which can position procurement and finance teams to get long-term costs under control.



How to Achieve Short-Term Cost Savings



1. Adjust or Cut Subscriptions:

Due to the pandemic, existing **subscriptions** may no longer apply. For example, if employees continue to work from home while you're paying for in-office subscriptions, like landline phone plans or even cable TV subscriptions, that may be something you could put on hold.

Meanwhile, you may need to adjust other subscriptions to account for increased usage. For example, if employees are using their company-issued cell phones more while working at home, rather than their in-office landlines, you might be incurring overage charges. So, upgrading your corporate mobile plan might still yield short-term cost savings, without negatively affecting employees.



2. Identify Unnecessary Purchases:

Related to improving subscription management is identifying and eliminating unnecessary purchases. In the past, you may have decided not to review all procurement on a line-item basis in the name of efficiency. Yet in these times, it may be worth it to more closely examine all purchases, such as to cancel duplicate purchases before they go through. Using e-procurement or spend management software can help make these reviews efficient while providing you with [the visibility](#) to cut waste.



3. Compare Procurement Prices:

You don't necessarily need to choose between continuing your existing procurement or cutting purchases. In many cases, a simple price comparison can help you save money. Just as you might compare two different stores' prices in your personal life when shopping online, you can do the same for everything from [tail spend](#) on office supplies to reviewing the costs of different mobile phone subscriptions.

Even if that sounds obvious, companies can often do more to get all employees engaged on this issue. Unlock short-term cost savings by making sure employees know how they can compare prices from your vendors before submitting a purchase request.

For example, you might allow employees to expense home office equipment. If they know you have multiple approved vendors, they can then do a price comparison among these suppliers to help the company save money. If you have an e-procurement system, some platforms can even automatically suggest a supplier with the best pricing when an employee searches for a particular item. As an incentive, you could then share some of those savings at the end of the quarter or year with employees.



4. Renegotiate With Vendors:

If you're trying to cut costs in the short-term, you may be able to renegotiate with vendors to obtain better terms. For example, you might be able to reduce costs now if you sign a contract that increases the quantity you'll purchase in the future.

You also might be able to renegotiate payment terms that can create cost savings in a win-win way. For example, if you're currently paying on net 30 terms, a vendor might be happy to offer you a discount for switching to net 15 terms.



5. Leverage Contractors:

Due to the pandemic, you might not be in the best position to hire right now. Yet you might still be looking for employees to keep your operations afloat without burning out your other employees. However, you don't necessarily need to hire full-time employees. Leveraging contract workers can be a form of **labor arbitrage** to yield short-term savings if you just need a little help here and there.

For example, you might be trying to increase your social media presence as the holidays approach. You could hire a full-time employee who makes, say, \$5,000 per month. Or you could use a contract social media manager who might charge \$1,000 per month. The part-time contractor might not provide you with as much volume of work day in and day out, but you might be able to get by temporarily with their help.

How to Achieve Long-Term Cost Savings



1. Adjust or Cut Subscriptions:

Analyzing tail spend and other areas of procurement can help uncover unnecessary expenses so you can cut short-term costs, and analyzing purchasing trends over longer stretches can yield long-term cost savings. By looking at analytics such as spend per department or spend per quarter, you can identify anomalies.

If purchasing from one department starts to exceed typical trends, procurement and finance teams can then know to review these purchases more carefully. Figuring out why costs are rising in that department could lead to cost savings, such as if you discover that new employees are unfamiliar with your price comparison options.



2. Conduct Supplier Searches:

Beyond negotiating with suppliers to achieve short-term cost savings, you might be better off changing suppliers to save money long-term. Conducting requests for quotations (RFQs) from suppliers can allow you to easily compare prices. Then, you could switch to a lower-cost vendor or use that pricing as leverage when renegotiating with existing suppliers.



3. Improve Supply Chain Resiliency:

From factory closures to shipping delays, the pandemic has caused significant supply chain disruption for many companies. To reduce this risk in the future, companies can improve supply chain resiliency, such as by onboarding both local and international vendors.

That way, if an issue like a weather event slows down production, you could switch suppliers. Doing so can save money long-term by reducing the need to pay for expedited shipping due to production delays, or, if tariffs rise for one area, you could shift to suppliers in other locations.

Supply chain issues can also end up hurting employee and customer experience, such as if you can't stock your customers' favorite products on-time. Earning back customers' goodwill can then be expensive, so you can minimize these long-term costs by improving supply chain resiliency.



4. Increase Supplier Diversity:

If you're really thinking long-term, taking steps now such as increasing [supplier diversity](#) can make a difference in areas such as innovation and your company's public perception. Especially if you're already looking to onboard more suppliers to build supply chain resiliency, now could be a good time to grow your [supplier diversity program](#).

By working with more minority-owned, women-owned, veteran-owned and other diverse businesses, you might be able to save money you'd otherwise spend in areas such as R&D and marketing. That's because these areas might get a boost naturally from supplier diversity initiatives, e.g., if you gain positive social media buzz for your work with diverse vendors.



5. Outsource Procurement Activities:

Managing all your procurement needs in-house can be expensive, especially if you need to increase staff to handle a growing workload. Instead, outsourcing purchasing activities or other procurement areas like [vendor management](#) to a third-party expert could potentially come at a lower cost than hiring full-time employees.

Moreover, leveraging an outsourcing partner can mean that you save money long-term due to their expertise. GoProcure, for example, uses a proven tollgate process for [strategic sourcing](#) that can result in 5-15% cost savings.

Cut Costs While Increasing Efficiency

As these short- and long-term cost-cutting measures show, you don't have to hamstring your operations just to save money during a pandemic. On the contrary, many of these actions can even increase your efficiency, such as by working with a third-party expert who can more swiftly help with activities like [onboarding suppliers](#).

So, instead of looking at how to cut finance and procurement costs as a tradeoff between meeting budgets and maintaining efficiency, consider how cutting costs can help better position your company overall in both the short- and long-term.

Want to learn more about how GoProcure can help you get a handle on tail spend and other areas of procurement to save money? Request [a free consultation](#) with our team of experts today.

