

Bottom line boost for Linens Direct

CLIENT:	Linens Direct
SECTOR:	Manufacturing
COST CATEGORIES:	Stationery, Print, Cash Handling, Waste, Insurance, Security System

THE CLIENT

Linens Direct is a company that recognises the importance of managing its cost base, especially in the current economic climate. However, with a growing network of stores and a popular internet business to boot, its internal resources are fully committed to operating and growing the business.

THE CHALLENGE

This has left little time to focus on the kind of forensic, line-by-line scrutiny of expenditure required to generate significant savings or the market research needed to negotiate streamlined contracts with suppliers.

Karen Everson, Financial Controller, says, "I know that there are significant benefits to be achieved from a thorough review of costs and the impact clearly goes straight to the bottom line. But, despite the benefits, it's just not feasible that we could find the time in-house to manage such a review; as the whole team already have demanding schedules."

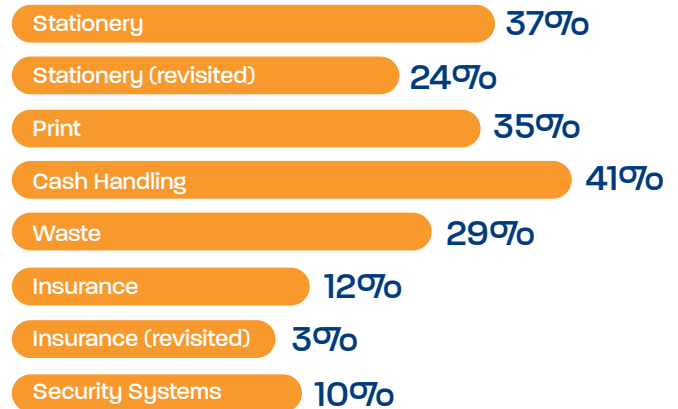
In business for over 18 years, Linens Direct sells a wide range of soft home furnishings through its network of 32 stores across the country as well as online.

The company's solution to tackling its supplier costs has been to establish a partnership with cost, purchase and supplier management consultants, Expense Reduction Analysts (ERA), and during the four years the two companies have worked together on a number of different areas of expenditure to identify savings.

In many cases, these have been worth more than 30% of the existing spend and have included stationery (where savings of 37% were made), print (savings of 35%), cash handling (savings of 31%) and waste (savings of 29%).

St John Rowntree, consultant at ERA says, "Many of the savings we've achieved for Linens Direct have resulted not just from price negotiations, but also from improved procurement and supply chain efficiencies that better suit the way the company operates."

SUMMARY OF SAVINGS



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KAREN EVERSON
FINANCIAL CONTROLLER, LINENS DIRECT

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For example, over time stores in the chain had ended up with individual contracts for wastes services and these varied from private contractors to local authority collections, all with their own pricing structures and rates. ERA was able to streamline this important area of the company's operations and put in place a centralised management system with a single point of contact to coordinate all charges and contracts.

Similarly, the contract for cash handling was reviewed and following a detailed review of processes and seasonal requirements, a rationalisation of cash collections was recommended resulting in savings of 41%

“Altering contracts to ensure they were fit for purpose in this way has realised immediate and significant savings for the company,” says Karen Everson. “However, there were complex negotiations involved, requiring a degree of market knowledge that was not available within the business.”

Karen was also pleased with the savings that were identified in security systems and the second review of insurance, this resulted in a stronger relationship with their new broker and an enhanced service level being achieved.

A further round of cost reviews is now underway, with reviews of packaging and point of sale materials now in progress.