

Financial training For non financial staff



The financial training specialists

Managing costs (profit)

I enjoy vegetable gardening and cooking, and have just harvested 1½ pounds of blackcurrants. Only enough to make three jars of jam but enough to make a good sized bottle of cassis to enjoy over winter!

So, off to Morrisons to buy some cheap brandy to steep the blackcurrants in. I was surprised when I picked the bottle up to find it was plastic.

I was mulling over this stinginess of Morrisons, and wondered how much it reduced their packaging costs. At home it occurred to me to weigh a bottle, and the reason for the plastic bottle became obvious. A Gordon's gin bottle weighs almost as much as its contents, so a Gordon's wagon is carrying 50% product, and 50% packaging. A similar Morrisons wagon is carrying nearer 90% product. The plastic bottle slashes freight costs by 45%!

Chrysler did something similar in the 1970s in the USA. When they designed their new K car, they kept it under 176 inches, so they could fit more onto a freight car. 12 cars on a railway wagon instead of 10 reduced transport costs by 15% to 20%.

Both these ideas involve thinking outside our own area and considering the whole business. The challenge to us is to see our organisations from a different perspective and ask the "What if?" questions.

And don't be afraid to ask the radical questions: "What if we stopped putting our brandy in bottles?" You can always try: "How about reducing transport costs by 45%?"