

Cost Reduction

Case Study

Real Estate Investment Fund Saves 15% on Operating Costs for Food Service, Phone/Internet, and Payroll Processing

Client

A vertically integrated real estate investment fund focused on operating and optimizing the properties in which it invests to maximize returns for its investors. The company's proven investment strategy emphasizes controlling the things within its control and operating with an "ownership mentality" at the property level to significantly reduce costs while preserving the guest or resident experience.

Challenge

While the fund is primarily in the business of buying properties in growth and value markets to ensure investor returns, it is equally committed to bringing up each property it buys to its full potential. This requires consistent improvement in property operations.

One way property operators can be successful is to manage and minimize their costs while still ensuring the quality services the property needs. However, with thousands of units across multiple cities and states, busy executives and property managers rarely have time to scrutinize every aspect of their operational spend or to optimize every contract with every vendor that provides services.

Solution

The fund managers turned to SIB to help it complete a thorough **cost review** for the six **hotel** properties within its portfolio. The company provided SIB with access to its vendor transaction report, allowing SIB to quickly understand the monthly expenses and determine the best opportunities for rate reduction, service standardization, and plan optimization. SIB quickly identified **payroll services, phone/internet contracts**, and food service costs as spend categories with the greatest savings potential.

The fund managers entrusted SIB to work directly with its service vendors to negotiate savings and seamlessly implement the new savings strategies in each spend area. Within a matter of months, the company saw its monthly expenses decrease by several thousand dollars across its six hotels.

Results

By granting SIB access to its spend data and taking SIB's recommendations for savings, the real estate investment fund cut its hotel operating expenses by 15% in select spend areas, saving \$125,000 in annual expenses, with minimal effort on the part of its busy internal teams:

- **Food cost annual savings: \$104,000**
 - 20% savings.
 - Negotiated rate reductions with current vendor, Sysco.
- **Phone/internet annual savings: \$15,000**
 - 6% savings.
 - Negotiated rate reductions with current vendors.
 - Maintained service levels.
- **Payroll services annual savings: \$6,000**
 - 10% savings.
 - Negotiated rate reductions with current vendors.
 - Maintained service levels.

The real estate investment fund benefits from ongoing monitoring and validation of expenses and invoices across key spend areas as well as professional insights into new and additional savings opportunities for its hotels as well as the other properties in its portfolio. By leveraging SIB's expertise to proactively control its controllable costs, the company is spending smarter and ultimately ensuring the greatest possible value for its investors.

Savings Highlights:

- \$125,000 in annual savings across multiple areas.
- 15% reduction in the spend areas addressed.
- Streamlined savings implementation with no interruption to business operations.
- Maintained key vendor relationships.

About SIB

SIB reduces your company's costs by 11-34% in the 15 spend categories we oversee, typically without changing your operations, service levels, or vendors. We leverage data from 500,000+ pricing benchmarks, deep industry expertise in each spend category, and ongoing spend management discipline to find, capture, validate, and sustain savings that dramatically improve your bottom line. [Learn more about SIB and our family of brands](#) with deep expertise and additional services in the categories we oversee.

