

Electronics Manufacturer Saves \$405,000 Without Operational or Vendor Changes

Cost Reduction



Client

Manufacturer of custom, high-tech electronics for the automotive, aerospace, and commercial fire protection industries with three U.S. factories and a design center.

Challenge

Efficiency and waste reduction are hallmarks of world-class manufacturers. Most leading companies in the industry focus on complex, expensive, and time-consuming operational excellence initiatives and often overlook much easier-to-correct sources of waste such as overspending on business services. Company executives were intrigued with SIB's ability to significantly reduce overhead costs without disrupting operations or changing vendors.

Solution

Conduct in-depth reviews of a variety of fixed costs totaling more than \$2.2 million in annual spending. Because the client relied heavily on credit card payments to sell its products around the world, credit card processing fees were of specific interest in addition to the shipping costs associated with delivering those purchases to customers.

SIB quickly uncovered hidden sources of overspending including arbitrary interchange fees— or fees to cover the cost and risk of card based-transactions — that merchant services vendors often tack onto invoices without any clear explanation or description. Through education and training provided by SIB, our client developed interchange optimization processes including adding more information at the time of purchase to boost transaction security, which allows the company to maintain desired pricing levels and avoid downgrades that ultimately increase fees.

This, along with switching to a more transparent rate structure with SIB's help, allowed them to stay with their current processor while saving more than \$180,000 in annual credit card processing fees.

The company was also able to maintain its relationships with its mail and shipping carriers while eliminating several fees amounting to \$91,000 in unnecessary annual expenses. Through comprehensive analysis of their shipping data and parcel activity, SIB identified opportunities to optimize discounts and negotiate with carriers to reduce surcharges, minimum charges, and other extraneous fees.

Reviews and audits of other spend areas including waste management and recycling, payroll processing, phone, and internet services revealed additional opportunities to renegotiate contracts with incumbent vendors and take advantage of best-in-class pricing structures. In many cases, these lucrative sign-and-save opportunities required nothing more than a signature of approval by the client's leadership team, making the hundreds of thousands in savings captured some of the easiest financial gains the company has ever made.

Results

Our client achieved \$405,000 in annual savings and reduced spending in select spend areas by 19% with limited effort, no vendor changes, and no upfront investment or complex changes to operations:

- ✓ **Treasury and merchant services - annual savings: \$193,000**
 - Negotiated fee rate reductions with merchants and banks.
 - Increased transparency of credit card fee rate structure.
 - Enacted interchange optimization strategies to reduce transaction risk and further lower credit card processing fees.
 - Maintained incumbent processor.
- ✓ **Shipping and fulfillment - annual savings: \$91,000**
 - Negotiated incentive improvements with carriers.
 - Achieved surcharge concessions.
 - Secured minimum net charge and dimensional weight relief.
 - Maintained relationships with key carriers.
- ✓ **Waste and recycling - annual savings: \$83,000**
 - Reduced pricing with current vendors while maintaining service levels.
 - Capped annual price increases at 8%
 - Eliminated termination penalties.
- ✓ **Payroll processing - annual savings: \$26,000**
- ✓ **Telecom and internet - annual savings: \$12,000**

With virtually zero upfront investment and limited hours of effort by the manufacturer, the company quickly captured \$400,000+ in savings that drop directly to its bottom line, increasing the company's EBITDA value. The client gained peace of mind knowing its spending was optimized, giving the organization more money to confidently invest in innovation that will help its high-profile clients continue to advance their industries.

Savings Highlights

- \$2.2 million in annual spending reviewed.
- \$405,000 in annual savings across multiple spend areas.
- Notable spend areas: credit card processing, bank fees, shipping, waste removal, payroll processing, and telecom.
- 19% reduction in key spend areas.
- Sign-and-save opportunities with no upfront investment or operational changes.
- Maintained key vendor relationships and current service levels.