

How To Save Cost Through Asset Management

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Introduction

The best way to save money is to stop spending it unnecessarily.

Simple enough - as long as you can identify what spending is unnecessary.

- ▶ Is it the money spent entertaining clients?
- ▶ Perhaps you can do without the annual office party?
- ▶ Can you cut down on your salespeople's travel expenses?
- ▶ How essential is it to upgrade your IT installation?
- ▶ What about the advertising budget?
- ▶ Can we reduce commissions & costs of referrals?

The trouble is that cutting down on these and other such items will have a direct and detrimental effect on your business.

Almost inevitably, the consequence of spending cuts is

- ▶ to reduce sales,
- ▶ lower staff morale and
- ▶ impaired efficiency.

What is needed is to identify the expenditure which is erroneous and eliminate that.

Here are some examples of erroneous expenditure:

- ▶ Buying things that you don't need to buy because you already have them
- ▶ Paying insurance premiums on non-existent equipment.
- ▶ Losing' equipment because of lax security.
- ▶ Paying maintenance and licensing charges on software which is no longer installed or used.
- ▶ Paying lease penalties because leased equipment is not properly controlled

The key to savings in all these areas, as well as many others, is asset management.

There is much more to asset management than calculating depreciation and coming up with a Fixed Assets figure for the Balance Sheet.

Asset management means knowing what you've got, where it is, what it is being used for, how much it is worth and what it is costing you.

Asset management is the key to expenditure control.

How do you go about turning that key?

It will certainly identify the issues and clarify the procedures which will allow you to save money through asset management.

We know that every organisation is unique.

Our focus is on the individual requirements of our clients, and we will always look for a solution which matches your needs.

As one of the India's leading asset management specialists, we have extensive experience in helping organizations in all market sectors save money and increase efficiency. We give you a distillation of our experiences & knowledge on possible modes of assets management & cost savings.

How do you start?

You start by finding out what you've got.

Research shows that a majority of organizations do not have accurate information about what they own.

Over time, as assets are

- ▶ acquired,
- ▶ moved and
- ▶ disposed of,

It becomes increasingly difficult to keep track of what there is and where it is situated.

The problem is particularly acute when it comes to IT assets, and the increasing number of assets which fall below the capitalisation threshold.

The first step, then is to make a list of all assets, including hardware, software, and items which fall under the capitalisation threshold.

This is not a trivial task, and is usually best outsourced to a specialist provider, like us.

Even if this is the only thing you do, the potential for savings are massive.

As a direct result of carrying out an asset audit, most companies are able to significantly reduce many expenditure items, amongst them insurance premiums, maintenance charges, and software licensing fees.

International Examples

1. The UK division of one of the world's largest beverage company made savings of £17,000 per month through not paying maintenance charges on non-existent assets.
2. A major US provider of communications technology used its accurate and up-to-date asset list as a schedule for insurance purposes. It was thus able to negotiate premiums from a position of strength, and reduced monthly premiums by a significant amount.
3. A global French corporation saved \$ 1.8 m by doing an inventory of installed software, then comparing it with existing license agreements and bringing the two into line.
4. A major Pharmaceutical manufacturing company in INDIA, saved Rs.7 Crores on Physical tracking of their assets by Levantare at just only one unit of their 21 locations across India.

And then?

Once you have created a comprehensive, detailed and accurate database of ALL assets and equipment in your organisation, you have available an enormously valuable resource.

In order to exploit this resource, you need to put in place systems and procedures which allow you to manage, query and report on it.

The key is being able to mine information from the database when it is requested, evaluate it and use it for decision making.

It is the combination of database and systems which allows proactive management as well as passive control of assets, and opens the door to genuine and on-going savings.

In most organizations, the most significant opportunities for savings come through control and management of IT assets. An asset management system which incorporates auto-discovery software (predominantly for IT service providers) will dynamically interrogate the IT installation, giving you up-to-the minute information about hardware configurations and the installed software base.

The availability of such information means that you can:

- ▶ Identify redundant or duplicated software
- ▶ Verify software licenses and maintenance contracts
- ▶ Manage migrations and upgrades
- ▶ Identify redundant excess equipments & instruments
- ▶ Identify utilization of all plant & Machinery
- ▶ Service needs and contracts
- ▶ Under-utilization of service contracts
- ▶ Regulate premium payments
- ▶ Manage suppliers' performance
- ▶ Standardize on procurement
- ▶ Improve security

Solve user problems more promptly and many more...

There are as many ways of saving money through asset management as there are organizations. Each organisation has its own unique needs and method of working.

The following examples illustrate some of the ways in which real companies have made real savings through asset management.

Increased sales

A large dealer in cars & trucks uses the information on its asset register to establish which trucks are available, where they are and what they are worth. The availability and accuracy of the information minimizes delay in responding to enquiries and enables the dealer to take charge of a sale rather than being reactive. The result has been a marked improvement in sales figures.

Controlled expenditure within budget

A chain of resorts used its asset management system to control a major resort rooms refurbishment programme, monitoring cost against budget.

The system produced statutory and management reports, including balance sheets, for each time period, store and refit project. This enabled the company to maintain tight control over expenditure during a period of considerable upheaval.

Improved security

One large colleges of higher education followed its initial asset audit by a second audit some months later. This second audit identified large numbers of missing assets, pointing to major security loopholes. The college has put in place improved security procedures and carries out regular audits of bar-coded assets. The effect has been to increase awareness of security issues and significantly reduce the number of 'missing' assets.

Savings on procurement

A leading consultancy firm, found that maintenance and repair costs on a particular make of laptop computer were consistently higher than on others it was using. As a result, it has standardized its procurement policy, enabling it to negotiate very favorable bulk-buying terms with a smaller number of suppliers. The consultancy has since seen a significant reduction in both procurement and maintenance costs for its IT equipment.

No more end-of-lease penalties

A global corporation, with a large number of leased assets, was concerned about overspending because of end-of-lease penalties and last minute lease renewals.

Their asset management system now provides detailed reports on all leased assets. A contract manager is notified by alerts days before the end of a lease term, giving the company ample time to re-negotiate or replace the asset.

And many more.....

The above are just representative of the myriads of department in any organization.

And now to practicalities

How do you go about doing a comprehensive organisation-wide audit of assets?

You can arm someone with a clipboard and pen and send them off to log everything they find.

But bear in mind the following:

1. A moving target
2. It takes time to:
 - ▶ go round locating,
 - ▶ identifying and
 - ▶ recording assets.
3. While the exercise is going on, some assets will be
 - ▶ disposed of
 - ▶ or moved,
 - ▶ and new ones acquired
 - ▶ By the time the audit is finished, it will almost certainly be out of date.

The identity parade

What is it?

Many organizations own high-tech and specialist equipment.

Identifying and naming such items requires expertise and experience.

The right person for the job

It can be difficult to find personnel who can be spared from their normal duties to go round recording assets. Also, whoever is charged with the job must go into every part of the organisation and request co-operation. This may give rise to issues of management and authority.

Bar-coding

Future physical audits will be much eased if barcodes are applied to assets. Barcodes must be positioned such that they are visible (thus acting as a deterrent to theft), yet be unobtrusive.

To detail or not to detail

Many assets are made up of components, for example, a desk may consist of a pedestal, drawers and a top, a PC is made up of a hard disk, a screen, a keyboard etc.

The more detail is recorded, the greater the potential for control - and the bigger and more complex the asset register. A balance must be struck between control and complexity—which can be accomplished by expert & experienced asset audit providers

Reconciling with existing records

The information recorded during the asset audit is likely to show considerable divergence from existing records.

There are three main reasons for this:

The existing asset register has not been kept in step with physical changes to the asset base. Assets have been acquired, moved and disposed of without the register being updated.

The existing system may show a bulk purchase as a single entry. The new system will show each item of a bulk purchase as an individual asset, and where appropriate, record its component parts.

The new system records items which fall below the company's capitalisation threshold, which do not appear on the old register.

The new system allows for maintaining two set of books per year, one for compliance as per companies act / regulators, and another for compliance as per Taxation requirements.

All these issues must be taken into account when carrying out an asset audit.

When you decide to call in the experts, talk to us. Our Services Division can provide the level of service you need, from expert consultancy to a turnkey scheduling service, including bar-coding assets and reconciling with existing records.

Most of our clients find that the cost of a full asset audit is more than recouped in a few months by the cost savings made.

Allow us to help you.

Call +91-44-42126266 or email arasu@levantare.co.in

Our expert consultants will be able to identify the issues which are real for your organisation, and suggest ways in which they can be resolved.