

The Magic of RONI ***Return on*** ***Non-Investment***

By Jacob Rubinstein and Ben Lapscher

Most investors and managers are very familiar with the concept of Return on Investment (ROI). This is a Key Performance Indicator (KPI) frequently used to measure the value provided by projects implemented in organizations. Typically, these projects involve investing money upfront to build and implement the project and later enjoying the benefits year after year. Since costs are defined at the beginning of the project and benefits may or may not happen as expected in the future, there is some degree of uncertainty and risk in the calculation of ROI.



In this article we would like to introduce a new concept: **Return of Non-Investment (RONI)**.

What if you could get a great return without investing any funds, just a little bit of your time?. That would create a magical infinite return; because in the ROI equation, the return is divided by zero investment. Why would you hesitate when presented with such an opportunity for your business? Perhaps you may

think, it sounds too good to be true... or where is the catch?

After many years implementing multiple savings initiatives, we can say with confidence that RONI exists and there is no catch. There is plenty of proof to support it; here are some ways this can be achieved through expense and cost reductions.



$$\text{RONI} = \text{Return} / \text{Zero Investment} = \text{Infinite}$$

Better plans with current vendors

Recently we analyzed the cellphone category for a manufacturer of electronic devices. This client produced in the USA and exported worldwide. This type of operations required staff to travel frequently abroad, and their monthly bills were heavy on roaming charges. As many of our clients that are focused on sales and cost of goods, they were not aware that there were better options.

With the same vendor, we were able to select a plan that will charge them \$10/day per user abroad for unlimited calls, texts and data. No fixed costs, customers only get charged when traveling. Since most of the travel was for a few days during the month, their bill was cut significantly (60%), with great annual savings. No money invested, thus an infinite RONI.

A similar case happened with a Real Estate company that was leasing copying equipment with very few copies allowance, thus paying much more for the overages. A simple change in plans increasing the allowance was all we needed to help them save (35%) on this category.

Better plans with other vendors

Sometimes your current vendor has limited offerings, so it makes sense to look for other suppliers. This was the case for a client that processed weekly payrolls. Their payroll company was charging them every time the payroll was run, thus spending significantly on this expense category.

We found them an alternate provider that charges a low fixed monthly amount per employee, regardless of the number of payroll runs. As a result, the client was able to save 80% on their payroll processing costs. Again, no investment, just pure return with an infinite RONI.

Taking advantage of vendor and government incentives

For an Ice Cream manufacturer, we were able to help them capture an incentive for their Research and Development (R&D) spending. Management wasn't aware and never claimed these incentives. For a chain of Restaurants, we were able to identify and take advantage of a significant payroll tax credit they qualify for.

Some public utilities and other private vendors have incentives and rebates to qualifying customers. For instance, the electric utility may offer more convenient rates and tax incentives to qualifying manufacturing and service organizations.

Again, no cash invested, infinite RONI.

Reviewing current actual invoices vs vendor agreements.

In cases like Merchant Services or Telecom, invoices are complicated to analyze, and it is not always clear what services are being charged and if indeed the negotiated rates are being correctly applied. When analyzed we have found opportunities to reduce fees, eliminate billing of

discontinued or unused services and correcting terms according to current agreements.

As an example, we recently reviewed the Merchant Processing statements for a client and found that they were being charged 80 basis points above the agreed terms. This was totally unnoticed by accounting staff who are extremely busy and frequently don't have the time or knowledge to identify these discrepancies.



Structuring services in a more efficient way.

Sometimes it makes sense to take a step back and analyze if there is a better, more efficient way to provide the same service or good. For a furniture distributor, we were able to reduce Insurance costs more than 30% by reclassifying the inventory and re-structuring their property policy.

In other cases, we have been able to help provide internet services to multi location clients, just upgrading their technology.

Another good example is the work we did for a client that was using oval labels to identify their products. We asked if there was a particular reason why labels needed to have that shape. After confirming the reason was "We have always done it this way", we proposed to switch to rectangular labels, that can use a full sheet of

paper with no waste. As a result, client is saving 20% on their cost of labels with no investment.



Participating in group programs or gaining economies of scale.

Vendors have different price lists for different programs. For instance, prices can be discounted up to 75% for same Office Supplies if you can join special programs like the one we have enrolled many clients in.

If space or cash flow is not a limitation, for some items like packaging materials, savings can be significant just by increasing the order quantities. For another client, we were able to reduce their cost of bags by 25%, just increasing the quantities by 15%. This strategy makes even more sense in inflationary environments like we are currently living on.

Final Thoughts

Expense/cost reduction initiatives are powerful mechanisms to increase profits. When the monetary cost of implementing these initiatives is minimal or close to zero, then the return on Non-Investment (RONI) tends to infinite. In addition, most of times they represent very small effort from staff members and no changes to current operations, making it even more attractive.

The ideas presented above are a good example on how RONI can be achieved with some creativity and a little help from firms that specialize in this field.

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