**Below are some samples of ideas from students (two of them, please scroll down):**

|  |  |
| --- | --- |
| **COST CUTTING IDEAS** | **IMPLICATIONS ON FINANCIAL AND NON-FINANCIAL PERFORMANCE** |
| **1 Training for employees to speed up production.** | **Financial: If employees can get the work done quicker, company will save money on employee pay and also can produce more products.**    **Non-financial: more efficient employees.** |
| **2 Maintain good relationship with customer for long lasting contract.** | **Financial: Will generate constant revenue. Also, will keep employee morale stable.**    **Non-financial:** |
| **3 Liquidate unused assets.** | **Generating cash that we can then reinvest in other assets such as machinery, increase in employees salaries and advancement in techonologies. Cut down employee costs with advancement in technologies.**    **Non-Financial: Focus shifts to existing assets and outlets.** |
| **4 Defer non-essential capital and expenditure.** | **Financial: Cutting down cost and saving money.**    **Non-financial: Focus shifts to customer relationship.** |
| **5 Renegotiate supplier and service provider contracts.** | **Financial: Find supplier who can provide more materials for an affordable cost.**    **Non-financial: Will get more retail customers if we are able to reduce cost of product.** |

|  |  |  |
| --- | --- | --- |
| **COST CUTTING IDEAS** | **IMPLICATIONS ON FINANCIAL AND NON-FINANCIAL PERFORMANCE** |  |
| **Financial Impact** | **Non-Financial Impact** |
| 1. **Limit clothing portfolio to core business:**   Kadgee clothing’ base customers are from medium to higher price segments and its customers require top quality designs and finishing maintaining their brand reputation. They can do the review on the current portfolio to stop those with high COGS and low revenues. | Reduce the cost of running inefficient product line (production, marketing, sales, etc,). Reduce inventory for slow moving stocks and clearance. | Strengthen the brand images and positions in the eyes of customers. |
| 1. **Factory Headcount Optimization:** some innovations/ changes had been made to the manufacturing process leading to redundancy in factory headcounts. Also, the loss of key customer (Forum) led to redundancy of at least 34 headcounts. We can conduct the review to either cut half of the headcounts or reduce 50% their current workload and reduce the base salary accordingly. | Based on the headcount review, we can reduce both variable cost (if the company has incentive/ commission per volume) and fixed cost (overhead). | The employees might have more motivations if they are able to work part-time since many of Kadgee Clothing’s skilled employees are female and that they do not wish to work full-time. |
| 1. **Recruit new customers:** Upon the loss of key customer, they need to invest to recruit new one if they want to sustain their employee headcounts | More revenue to compensate cost of headcount redundancy. | Motivate the business team to overcome the customer loss |
| 1. **Implement new production equipment:** Review and automate production process to increase volume and reduce production cost/ waste. | Less COGS, reduce production cost, more operating profit | Support the business to have sustainable grow |
| 1. **Reduction of inventory level:** Review the possibility of “made to order” approach or only keeping the inventory level equivalent to the normal running rate (past 3 months or 6 months) | Less money tied up in inventory. Less warehouse space is required. Lower insurance costs, as the risk of loss is reduced. Fewer losses due to spoilage, or to expired or out-of-date products. | Sustain and protect the company image, limit the possibility of selling “outdated products” to the market |
| 1. **Implement Lean Manufacturing:** review to eliminate some weakening areas which did not add value to the finished garments to ensure efficiency and effectiveness of manufacturing process. | Less COGS, less cost of wastes, more operating profit | Improve productivity, improve employee satisfaction, boost team morale, improve product quality, protect brand images. |
| 1. **Review and align production budget:** to ensure the budgeting is aligned with sales forecasting and production planning to avoid any discrepancies that lead to production wastes and extra costs. | Release inefficient budgeting for other business operations. | To help the company to be more resilient |
| 1. **Opening a facility of cheaper places:** review the possibility to invest Capex of new place installation with cheaper labour/ material price (same quality) | More profitable with less expense in the long run. | To make the company more competitive in the market in the long run. |