

**FAIRVIEW SCHOOL BOARD**

In this case, the Fairview School Board (FSB) has come under a budget shortfall and Peter Lawrence, Supply Manager for the FSB has conducted a meeting with the Finance Manager in an attempt to identify ways to cut cost and reduce the budget deficit of \$7 million. The attempt to reduce costs has been complicated by the recent transition to a Supplies system called Supplynet, which allows the FSB to process the large volume of individual orders that the FSB creates each day.

The current supply system is centralized with a warehouse, vehicles and manpower that operate at a remote location and serve a bi-weekly delivery to the individual schooling centers. It is in the Financial Manager's opinion that this centralized system may be eliminated, as the salaries of the 5 warehouse staff and the rent/utilities equal as much as \$1.5 million.

The FSB has already implemented many methods of cost reduction through volume-pricing negotiation and streamlined delivery. Asking to further reduce supply and materials cost may be difficult. However, several factors are certain to apply in making the decision by the weekend.

Some possible areas of cost that may be identified are the inventory holding costs, since the volume of supplies in stock may require a cost greater than the actual savings at time of purchase. It may be better to negotiate a deal with an exclusive supplier that puts storage and warehousing in the hands of the supplier and deliveries are run through the supplier's network as opposed to the cost of warehousing the product by FSB.

There should be a process whereby the FSB seeks suppliers that are willing to implement the Supplynet system in order to reduce the need for additional training on the part of administrators and educators in putting in orders and requesting materials.

This modification to the current plan will require release from any lease on the property/warehouse, and possibly selling off the trucks and delivery vehicles. There may be a way to liquidate these as depreciable assets.

In order to address the issue of A/V distribution as well as computer equipment and Inter-department mail, the FSB should consider hiring an IT specialist and cross-train administrative assistants with a Delivery Runner to scale down the process. Converting as much interoffice work to PDF, Email, FTP and Intranet will help reduce the need for manual delivery, saving fuel, labor time, and depreciation on owned or leased vehicles.

Securing the volume discounts with a guarantee of a minimum annual purchase of product, along with eliminating the need to ship to the warehouse and double-handle in delivery to the schools, along with reduction in force, utilities and rent, should significantly reduce the budget shortfall.