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Cost-Cutting Techniques In A Newspaper Industry

By

Mohd Yusof Bador
Cost-Cutting Techniques in a Newspapers Industry

A. General

Identification of cost centres

A newspapers industry encompasses manufacturing as well as trading activities.

The different areas that comprise this type of industry are as follows:

a) Production
b) Editorial
c) Circulation
d) Advertising and Sales
e) finance
f) General Administration
B. Cost

Costs associated to a newspapers industry can similarly be classified into the different areas as above.

a) Production Costs

i. The main costs comprising production costs are those of raw materials, of which newsprint is the major cost.

ii. Other raw materials of significant value include ink, offset plates, photomaterials, art or mechanical papers.

iii. Besides raw materials, expenses relating to machinery and parts also constitute part of production costs.

b) Editorial Costs

i. Costs relating to Editorial section are honorarium costs, articles and contributions, news services.

c) Circulation Cost

i. Major costs are transport charges, selling costs, commission, binding expenses etc.

d) Other Costs

Refer to P & L attached account.
C. Cost Reduction Techniques

The various areas where costs can be minimised are as stated above.

The cost reduction techniques applicable in a newspaper industry are described under the various cost categories below:

i. Production

1) A proper purchasing policy will ensure that raw materials purchased, particularly newsprint, are of the right quality and at reasonable prices.

2) Purchasing is related to inventory/stock control. The objective of inventory decisions is to minimise the total costs. This can be done by using the EOQ technique (Economic Order Quantity)

\[ E = \sqrt{\frac{2AP}{S}} \]

Where:
- \( E \) = Order size
- \( A \) = Annual quantity used in units
- \( P \) = Cost per purchase order
- \( S \) = Annual storage cost
3) **Usage of raw materials**

Control of usage to minimise costs can be effected through:-

i. Accurate determination of specific quantities of raw materials used in a particular job. This is to ensure no unnecessary use of materials.

ii. Wastage rates must be determined through work study techniques.

iii. Periodic reports on production usage eg. ink usage. If drums of ink are poured into the container leading to the machinery, high wastage will occur. An installed meter with control taps will ensure right quantities of ink flow and minimise wastage through overflow.

4) **Plant & Machinery**

Cost reduction techniques through:-

1. Maintain sufficient stocks/parts to ensure plant & machinery running without interruption.

2. Regular maintenance programme to ensure breakdown & keeping plant on top working level.
ii. Editorial

1. Cost of articles and contributions

Review of rates of articles to ensure the quality of news coverage is proportionate to the cost of articles incurred.

It is of utmost importance to see the value worth of the articles published as the articles can indirectly affect the sale revenue from newspapers and magazines.

2. Cost of films

It is inevitable that usage of films is high in a newspapers industry as it is part of the news coverage.

However, it is often that the number of pictures taken are more than is necessary for any articles. As a result, the cost of films increases unnecessarily.

3. Telephone charges

Sometimes, news are transmitted through telephone when there are urgent news or results to be obtained eg. football results, elections results, etc.

At times, there are also normal news or stories that are obtained through telephones. This directly increases telephone costs and could also obstruct more urgent news from coming in due to busy lines.
4. **News Service**

There should be a balance between getting news by direct personal means or through news agencies like Bernama, Reuters. The effectiveness of getting the news and the associated costs between these two means must be worked out and compared.

For eg. it could be cheaper using agency copies for scheduled press conference instead of allocating reporters to the actual scene.

5. It must be noted that changing the lead news or story at the eleventh hour after all the paste-up is done will mean incurring costs and delaying production.

Certain headlines, pictures, etc, can be pre-arranged earlier after careful selection and screening by the editors.

6. **Overtime/Travelling Expenses**

The work scheduling and rotation of work among reporters and journalists must be planned such that no extra staff are scheduled at the same place and time. This will cut down on travelling time, claims and other expenses.
iii. Circulation

Costs of distribution include:

a) Transport of newspapers/magazines by lorries or vans.
b) Air freight
c) Commission on sales
d) Upkeep of Transport Vehicles

Good routing of transportation to the various outlets would prevent delays and reduce costs.
iv. Administration

a) Telephone Costs (overall) can be controlled through PABX system where calls made can be traced directly. This will prevent and discouraged unauthorised or unnecessary calls made.

b) Electricity can be reduced by way of austerity drive where lights are switched off during lunch breaks. All electric typewriter, calculators, etc. must be switched off when unused.
General Cost Reduction Methods:

1) Reduce inventory
2) Reduce purchase costs
3) Reduce Obsolescence
4) Reduce Overtime
5) Reduce Transportation Costs
6) Improve Customer Service
7) Improve productivity
8) Improve accountability
9) Improve Management information

Paper presented by
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