

**Cost Reduction – The process of looking for, finding and removing unwarranted expenses from a business/service to increase profits/efficiency without having a negative impact on product/service quality.**

**Example:**

*Yuma Zoo office would like to buy a printer from where they can print their own tickets and brochures rather than relying on a vendor. Yuma Printers charges \$0.75/brochure and 0.15/ticket Yuma Zoo prints 3,000 brochures and 5,000 tickets a month. The printer that they would like to purchase for the office has a one-time cost of \$10,000 and a recurring maintenance cost of \$1,000. Another factor that has been taken into consideration is the ink and paper that has an annual cost of \$8,000.*

Yuma Printers	Brochures (0.75/each)	Tickets (0.15/each)
Monthly	2,250	750
Year Total	27,000	9,000
Grand Total/Yearly		36,000
*Assuming 3,000 brochures and 5,000 tickets a month		

Yuma Zoo Office (self-printing)	One-time costs	Maintenance	Supplies
Monthly		1,000	
Year Total	10,000	12,000	8,000
Grand Total/Yearly			30,000

*If Yuma Zoo Office did buy the printer and stop using the outside vendor to print the tickets and brochures then there would be a cost reduction. As seen in the tables, currently Yuma Zoo is paying Yuma printers \$36,000 a year versus only spending \$30,000 if the printing was done in office. In the first year alone \$6,000 would be the cost reduction. However in the years to follow the cost reduction would be even higher due to not having that one-time cost of the printer.*