

Well, of course, there are various options here but every option would obviously consider cutting the €400,000 in the HR budget, as the freeze on recruitment means they no longer need the services of a recruitment agency. I would also reduce bonuses to €100,000 until performance picks up. Without making any redundancies, if we don't replace anyone who naturally leaves the company, I think we can expect salaries to fall by €200,000. So, that's a saving of €900,000 on the HR budget. Some people may opt for increasing the low quality cheap imported raw materials to reduce the production budget. This, of course, would mean downgrading from the current top-of-the-range image and therefore reduce prices and income. In fact, I think I would go back to the previous year's percentage of high-quality raw materials and reduce the cheap imported stuff with a view to improving quality. I'd also look to return to the previous year's running costs of €600,000. This would all result in the same total production budget of €3 – so no savings there. Then, I'd cut €400,000 off the budget for advertising new products and invest €100,000 of that saving into advertising for existing products. Bringing that budget up to €250,000 and helping to concentrate on promoting our current successful brands. Finally, I'd leave the market research budget as it is – it's vital for future product development. So, that generates a saving of €300,000 on sales and marketing and an overall saving of €1.2m, or 15 per cent.