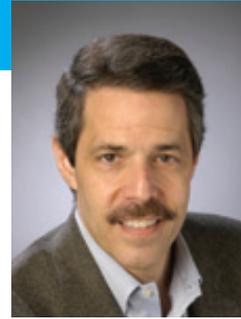


by David Lapin
Expense Savings Administrators



Looking for Savings in an Ever-Changing World

You're a successful business owner. Business is good, you have happy, productive employees, bottom-line numbers are strong and orders are up. Is this a time to be resting on your laurels or should you pursue bottom-line improvement? The answer is easy, but many successful executives fail to follow through. When crunch time hits (as it inevitably will) those that keep a consistent focus on profits and expenses have the best chance to emerge unscathed from the turbulence. Focusing on vendor-related expenses should be a regular agenda item for all growing businesses.

Lowering Costs – The Never-Ending Battle

There are a number of ways to analyze and search for reduced vendor costs. Many companies prefer a “shot gun” approach of calling around to see who is offering the best price that day. Other firms assign a dedicated team of employees to the task. Their responsibilities include researching and contacting dozens of vendors to see which ones might be the best fit for their business. Both strategies can yield results, but the ROIT (Return on Invested Time) can be minimal. Employees who spend large quantities of time looking for the best pricing and service are typically your least productive employees. Man-hours



are wasted with phone calls and on-line searches, and, if little or no savings are discovered, employee efficiency has gone down the drain. There should be a way to find savings, keep employees productive, avoid the expense of outsourcing this work and still improve profitability. Today's business owners finally have that alternative.

There are many consulting firms that specialize in finding savings for businesses, and until now the consultants earned their fees in one of two ways: either they charge their customer a flat fee to find savings, or they charge their customer a percentage of the found savings. While most consultants deliver good results, it can still be a painful experience for business owners to cut a check to the consultant to pay for the work. Consultants argue that business owners are paying them out of “found money”. This is true, but the fee is still coming out of the business owner's pocket.

A New Option – The VCSC

Finally, the business owner has a new choice; one that gives maximum benefit and minimal risk, while avoiding the pain of having to pay a consultant's fees. A new consulting service has emerged that can review a company's general administrative vendor-related expenses, but one where compensation comes from the vendor who provides savings for the client.

Vendor Compensated Savings Consultants (VCSC) are the pioneers in this new, burgeoning field. VCSC's were designed to find vendor-related savings in up to 30 different expense categories, and to deliver savings to business owners without cost. In essence, the VCSC's job is to put money back into the business owner's pocket without having to charge that owner a fee. Since there are no free lunches, let me explain how the service works. VCSC's create a vendor network of up to 80 companies, each one specializing in one of 30 related expense categories. Each of these vendors understands that the consultant is looking to reduce its customer's expenses and wishes to utilize its leverage to secure pricing quotes from these vendors, which, in many cases, are lower than the customer's current costs.

Once a savings proposal is delivered to a VCSC's customer, that client has three choices:

The business can elect to disregard the savings that the consultant has uncovered and can continue the relationship with its existing vendor at the current pricing structure. VCSC do not charge a fee to present savings proposals to their commercial customers.

The business can elect to meet with the consultant's referred vendor to determine if that new vendor can offer the same level of service and requirements currently provided by the incumbent vendor. If the customer decides to utilize the network vendor, then the customer receives 100% of the price savings offered by the consultant's vendor, without cost to the customer. For example, if the consultant's vendor in a particular expense category offers 20% savings to the customer, and the customer decides to utilize the consultant's network vendor, then the customer receives the 20% savings. For finding the savings and making the introduction to the new vendor, VCSC's are compensated by their network vendor through the payment of a "finder's fee" for brokering the relationship. That fee comes directly out of the vendor's pocketbook. The consultant's customer gets savings at no cost, the network vendor has a newly acquired customer, and the VCSC gets paid by

the vendor. It truly is a win-win-win situation.

The business can elect to have the VCSC use the savings proposal to assist it in renegotiation with its existing vendor. There are times when customers want to pursue savings that the VCSC has uncovered, but they prefer not to break a long-term relationship with an incumbent vendor. VCSC's respect the fact that there are times not to infringe upon a long-standing relationship. VCSC's assist their customers by making the current vendor aware of savings that were negotiated for the mutual client to see if the current vendor will match the discounts provided in the proposal. Established vendors don't unilaterally step up to the plate to offer savings, but, when confronted with the possibility of losing the customer's business, they will match the lower pricing. Renegotiation work on behalf of customers is above board, and in most cases the discussions lead to the adoption of lower costs for the customer. The beauty of this option is that, at the end of the day, the customer is still working with the same vendor, but with a lower cost structure. If the customer elects this option, the VCSC charge the customer a one-time fee of 25% of the 1st year's annualized savings. The reason for the fee is that the customer's established vendor will not pay the VCSC to lower its own profit structure, so the only way the VCSC can be compensated with this option is to take a percentage of the savings. If a customer utilizes either other option mentioned above, there is no expense to the customer.

A typical VCSC business model is structured to allow it to help its customers review expenses in all of the following 30 categories:

- Printing
- Payroll Services
- Office Supplies
- Electricity & Utilities
- Freight Transportation
- Toner & Ink Cartridges
- Litigation Support Services
- Office Machine Solutions
- I.T. Contract Labor Rates & Server Maintenance
- Overnight Delivery & Courier Services
- Local/Long Distance/DSL/T-1
- H.R. Administration and Benefits
- Printers; Supplies, Toner & Repair
- Janitorial Services and Supplies
- Employee Screening and Background Investigation
- Uniform Rental, Lease, or Direct Sale
- Postage, Bulk Mail, and Meter Leasing Solutions
- Trash Hauling
- Phone Systems (ownership and leasing)
- Document Shredding
- Promotional Items
- Merchant Services
- Off-Site Digital Data Storage
- Wireless and Cellular Services
- Payables Auditing
- Business Inventory Liquidation
- Search Engine Optimization (increasing business from web site on-line viewers)
- Web Site Hosting
- Video Production for creation of marketing and sales materials
- Public Relations
- Advertising and Marketing to spur business development

VCSC's have also created an office relocation package for businesses that is efficient, easy to employ, cost effective and hassle free.



The VCSC's network can provide a turnkey solution for any relocation, which gives your business a single person administrator for the following:

- Phone system transfer
- Computer network and equipment transfer (no down time)
- Cabling
- Moving company to handle the physical move
- Letterhead, stationary and business card printing

Today's business owner now has a new weapon. It is called Vendor Compensated Savings Consultants, and it can be a valuable resource to help uncover savings, increase profitability, and maximize employee efficiency.

David Lapin is president of Expense Savings Administrators, a Vendor Compensated Savings Consulting firm headquartered in Houston, Texas. He can be reached via e-mail at dlapin@expsav.com.