



BEST STRATEGIES FOR REDUCING MAJOR OPERATING EXPENSES

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GNYADA Dealer Webinars are Sponsored by:



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- Dealer Plate Renewals
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NEW JERSEY TRANSACTION



December Education and Training Classes

December 5

DMV Billers'
Workshop: Processing
Out-of-State
Transactions

December 17

Mastering Inbound
Phone and Internet
Sales

December 10

Setting Benchmarks at
The Dealership –
Evaluate Your Variable
Operations
Departments



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Annual Labor Law Forum

Date: December 3rd, 2024

Time: 9:30 AM

Location: Center for Automotive
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For any questions or assistance, please
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Reduce High Cost Expenses – Improve Profits Now

DMS, Interest Expense, Credit Card, Insurance & more

Date: November 21 , 2024

Speaker Contact Information



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What You Will Learn Today

1. Dealership Profit Opportunities
2. Business Challenges to Overcome
3. High Spend Category Opportunities
4. Realize and Deploy Cost Savings
5. Next Steps

“There are significant opportunities to reduce costs and drive new profits in a dealership. Today we will examine the what and how to pursue the biggest opportunities”





New Profit Opportunities

How Much Money Are You Leaving on The Table?

Most Dealerships are over-spending on supplies
and services by 25% each month!



StrategicSource

Why is a Spend Management Program Important?



Proven Strategies to Drive New Profitability

Four Strategies to Drive New Profits Streams

1. Supplier
Spend

2. Supplier
Payments

3. Payment
Discounts

4. Audit
Recoveries
& New Revenues

- 25% Opportunity
- 130+ Expense Categories

- Credit Card Payment strategy
- Narrow Supplier Base

- Early Pay Discounts
- Fewer Suppliers

- Pursue Overcharges
- New Revenues



Why is Effective Purchasing Important to Enterprise Profitability?

Cost savings drop to the bottom line as profits!

Sales	Profit Margin	Profits
\$2,000,000	4%	\$80,000
\$1,500,000	4%	\$60,000
\$1,000,000	4%	\$40,000
\$750,000	4%	\$30,000
\$500,000	4%	\$20,000
\$250,000	4%	\$10,000
\$100,000	4%	\$4,000

The generation of significant new profits occur faster with a well conceived cost reduction plan than it takes to achieve the same profit with new sales!

Cost Reductions	Profit Margin	New Sales Required	Profit Margin	Profits
\$2,000,000	4%	\$50,000,000	4%	\$2,000,000
\$1,500,000	4%	\$37,500,000	4%	\$1,500,000
\$1,000,000	4%	\$25,000,000	4%	\$1,000,000
\$750,000	4%	\$18,750,000	4%	\$750,000
\$500,000	4%	\$12,500,000	4%	\$500,000
\$250,000	4%	\$6,250,000	4%	\$250,000
\$100,000	4%	\$2,500,000	4%	\$100,000

Sales to Cost Reduction Equivalency

Cost Reductions
can Impact the Bottom
Line Quickly!

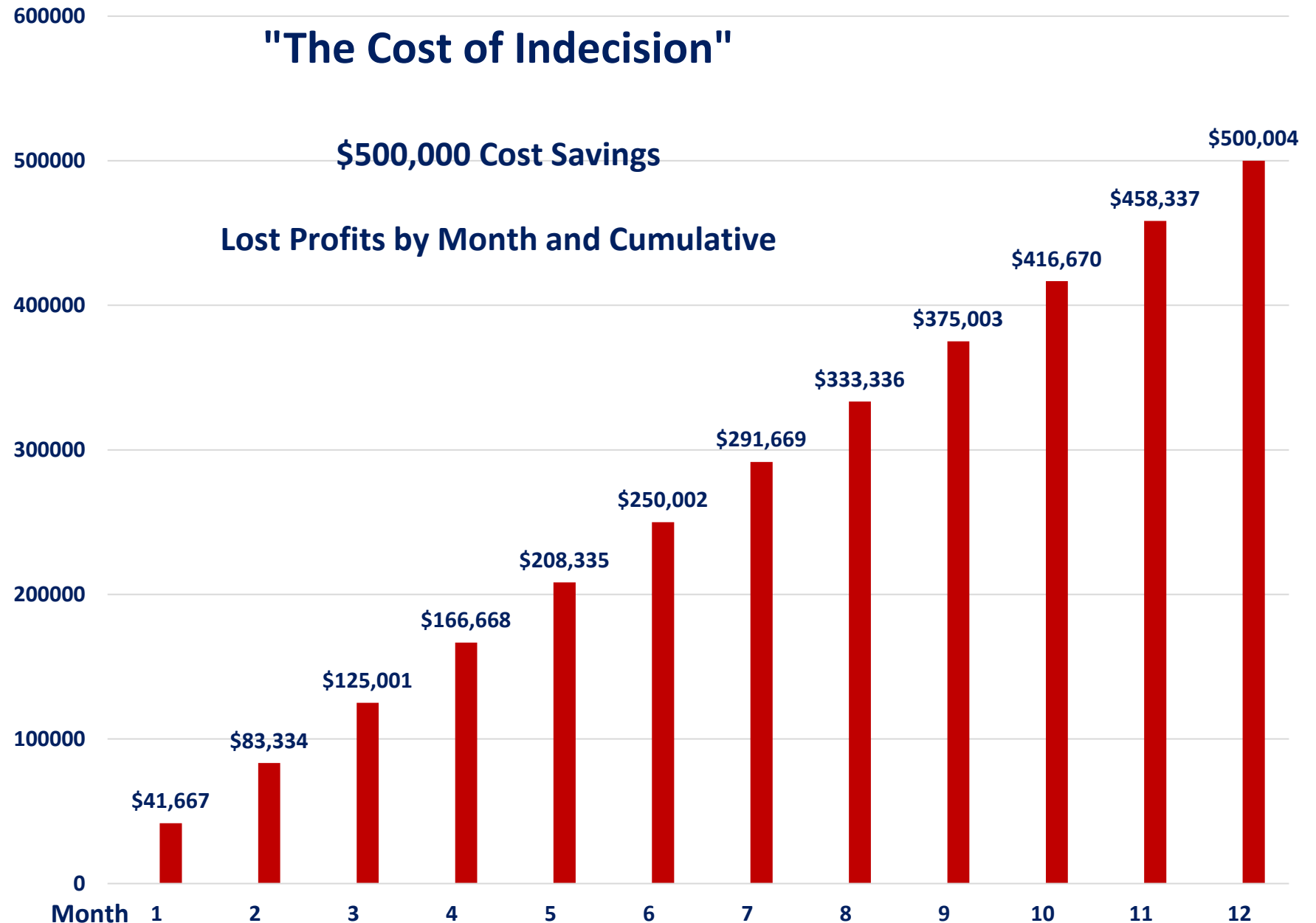
Cost Reductions	Profit Margin	New Sales Required
\$2,000,000	4%	\$50,000,000
\$1,500,000	4%	\$37,500,000
\$1,000,000	4%	\$25,000,000
\$750,000	4%	\$18,750,000
\$500,000	4%	\$12,500,000
\$250,000	4%	\$6,250,000
\$100,000	4%	\$2,500,000

Cost Reductions	Profit Margin	New Sales Required
\$2,000,000	3%	\$66,666,000
\$1,500,000	3%	\$49,999,500
\$1,000,000	3%	\$33,333,000
\$750,000	3%	\$24,999,750
\$500,000	3%	\$16,666,500
\$250,000	3%	\$8,333,250
\$100,000	3%	\$3,333,300

Cost Reductions	Profit Margin	New Sales Required
\$2,000,000	2%	\$100,000,000
\$1,500,000	2%	\$75,000,000
\$1,000,000	2%	\$50,000,000
\$750,000	2%	\$37,500,000
\$500,000	2%	\$25,000,000
\$250,000	2%	\$12,500,000
\$100,000	2%	\$5,000,000

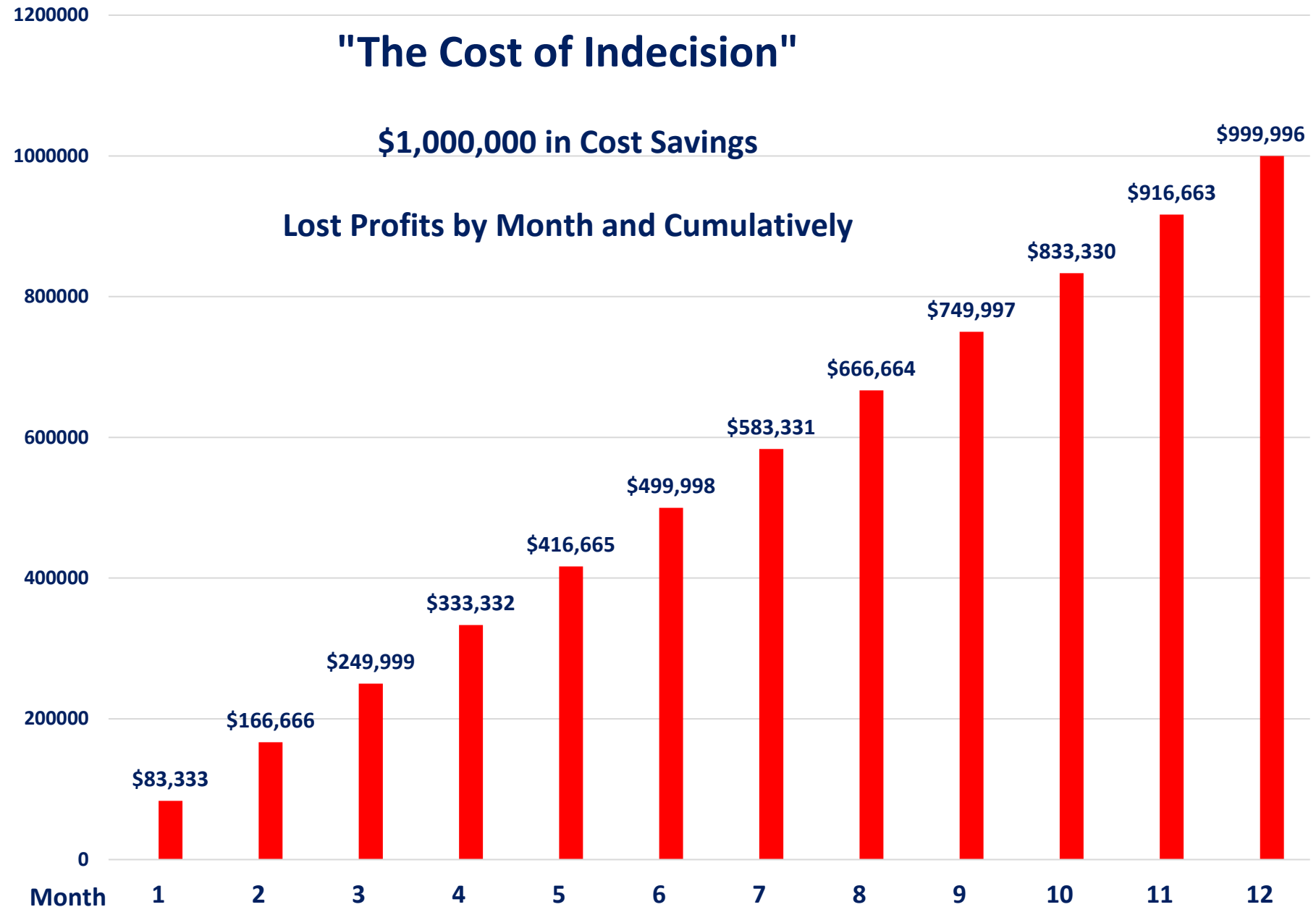
Waiting or Indecision on Next Steps Impacts Your Profitability!

\$500K Cost Savings Delayed or Ignored



Waiting or Indecision on Next Steps Impacts Your Profitability!

\$1MM Cost Savings Delayed or Ignored



For a copy of the deck
scan the QR code



Business Challenges



Dealership Facts You Should Know

- Expense Categories Options – 160
- Typical Spend Categories Used – 100
- Spend as % of Sales – 5% (\$100MM sales = \$5MM spend)
- Dealer Supply Ratios – 4:1
 - to 200:1 (too large and costly)
- Cost Reduction Opportunity – 25%
- Decentralized Purchasing – 95% of Dealerships
 - (locations have freedom to select their own suppliers)

Six Components of Spend Management



Challenges Facing Dealership Groups Expense Lines

Dealership Spend Management Challenges



Is Everyone on Your Team Qualified to Perform the following consistently?

- Supplier Vetting
- Requirements gathering
- Supplier selection
- Quoting
- Benchmarking
- Analysis
- Supplier Commitment
- Problem Solving
- Supplier Management
- Audits

Dealership Purchasing Department Today

1	Dealer Principal – Owners – high ticket items, DMS
2	CFO – Controller – insurance, credit card, credit bureaus, DMS
3	Office Manager – office supplies, print,
4	General Manager – any of the above or below, vehicle history
5	Director Fixed Operations – uniforms, parts, supplies, janitorial
6	Service Manager – uniforms, supplies, facility repairs
7	Parts Manager – shop supplies, parts, lubricants
8	Sales Manager – advertising, marketing, forms
9	I.T. Manager – equipment, software, supplies
10	Used Car Manager – glass, reconditioning

Problem

Today, a Tactical Purchasing approach is dominant among most groups

Approach	Strategic Purchasing	Tactical Purchasing
Pricing	Long term – locked	<i>Short term - today</i>
Processes	Most efficient process	<i>Supplier defined process</i>
Business Terms	We define our terms	<i>Supplier defines terms</i>
Specifications	We define the specs	<i>Supplier suggests specs</i>
Solution	We define the best solution	<i>Supplier sells us the solution</i>
Scope of Relationship	Broad, category approach with long-view	<i>Narrow – item or sku specific</i>
Results Expected	Sustainable benefits	<i>Short term benefits</i>

Expense Reduction Challenge

- P & L is too narrow
- Scope of Expense categories is large
- Spend Analysis is imperative in planning

ABC Company Profit and Loss Statement

Revenue		2015	2014
Sales revenue	\$	1,000,000.00	\$ 800,000.00
Interest revenue		300,000	100,000
Other revenue		25,000	10,000
Total Revenues		1,325,000	910,000
Expenses			
Cost of goods sold		400,000	3,000,000
Advertising expenses		3,000	1,500
Bad debt		-	100
Commissions expenses		150,000	140,000
Depreciation expenses		200,000	150,000
Employee benefits		5,000	5,000
Insurance Cost		2,000	2,000
Interest expense		15,000	1,300
Maintenance and repairs expenses		2,300	2,300
Office supplies		500	1,500
Rent Expenses		200,000	200,000
Research and development		-	-
Salaries and wages		150,000	150,000
Travel expenses		-	-
Utilities expenses		50,000	60,000
Web hosting and domains expenses		10,000	10,000
Other expenses		150,000	150,000
Total Expenses		937,800	873,700
Net Income Before Taxes		387,200	36,300
Income tax expense		55,000	15,000
Income from Continuing Operations		332,200	21,300
Below-the-Line Items			
Income from discontinued operations		-	-
Effect of accounting changes		1,000	(500)
Extraordinary items		-	-
Net Income		333,200	20,800

Assumption
18 Expense Lines

Reality
140+ Expense Lines to Manage

General Expense Categories			
1	Advertising	25	Information Technology Services
2	Advertising - Internet	26	Internet Services
3	Advertising - Magazine	27	Locksmith Services
4	Advertising - Print	28	Marketing Products
5	Auto Rentals	29	Marketing Service - Websites
6	Background Checks	30	Marketing Services
7	Beverage/ Water	31	Mats, Floor mats
8	Business Services	32	Miscellaneous
9	Business Services-Accounting	33	MRO Supplies
10	Business Services-Legal	34	Music & Messaging Systems
11	Business Services-Scanning	35	Office Equipment
12	Check Processing Services	36	Office Equip. - Postage Machine
13	Computer Hardware	37	Office Equipment/Software
14	Courier Services	38	Office Furnishings
15	Credit Card Processing Services	39	Office Supplies
16	Employee Benefits	40	Other
17	Equipment	41	Payroll Services
18	First Aid	42	Postage
19	Fixtures	43	Prescription Services
20	Food & Beverage Services	44	Printed Mat.-Custom
21	Food & Beverage Services - Vendin	45	Printed Mat.-Packaged Goods
22	Food Services	46	Printed Mat.-Pro. Correspondence
23	Human Resource Services	47	Promotional Items
24	Information Systems	48	Purchasing Reward Card
49	Records Management		
50	Retirement - 401K		
51	Security		
52	Security Patrols		
53	Security Service		
54	Shredding Services		
55	Signage		
56	Software		
57	Software, Desktop		
58	Software, system		
59	Spot Buys		
60	Storage		
61	Supplies		
62	Supplies, Miscellaneous		
63	Tele.- Voice/Internet/Data/TV		
64	Telecom Maintenance		
65	Telecommunication - Cellular		
66	Telephone Systems		
67	Temporary Help		
68	Transportation - Other		
69	Transportation - Small Package		
70	Transportation, LTL & TL		
71	Travel		
72	Uniforms & Laundry		
Facility Categories			
1	Carpet Cleaning	6	Maintenance-Door Services
2	Elevator Maintenance	7	Maintenance-HVAC
3	Janitorial Supplies - Services	8	Maintenance-Lighting
4	Landscape Services	9	Maintenance-Parking Lot
5	Maintenance - Pest Services	10	Maintenance-Plumbing/Drains
11	MRO Supplies		
12	Utilities		
13	Waste & Recycling		
14	Waste, Hazardous		
15	Window Washing		
Automotive- Truck Categories			
1	Aftermarket Accessories	19	Glass & Installation
2	Aftermarket Services	20	GPS
3	Auto Body Repair	21	Key Management Systems
4	Auto -Paintless Dent Repair	22	Locksmith
5	Auto Parts	23	Lubricants - Specialty & Flush Kits
6	Auto Parts - Non OE	24	Lubricants & Fluids
7	Auto Parts - Used	25	Mats, Floor mats
8	Auto Rentals	26	MS - Call Management
9	Auto Tires	27	MS - Classified Listings
10	Body Shop Supplies	28	MS - CRM
11	Car Wash	29	MS - Digital
12	Chemicals	30	MS - Events
13	Credit Bureau	31	MS - Lead Response
14	Detailing Services	32	MS - Miscellaneous
15	Detailing Supplies	33	MS - Online Chat
16	DMS & Related	34	MS - Owner Marketing (Print Mktg)
17	Equipment	35	MS - Reputation Management
18	Fuel	36	MS - Search Engine Optimization
37	MS - Service Schedulers		
38	MS - Social Media		
39	MS - Websites		
40	MS- Fixed Operations		
41	MS- Used Car Ads		
42	Online Manuals		
43	Parking		
44	Shop Gases		
45	Shop Supplies		
46	Signage		
47	Supplies, Miscellaneous		
48	Tools		
49	Towing		
50	Transportation - Auto Transportation		
51	Uniforms & Laundry		
52	Utilities		
53	Vehicle History		
54	Waste - Hazardous (oil, fluids, tires)		

Tactical vs. Strategic Approach to Purchasing

Iceberg Principle



Ineffective Buyers Focus on Price

Effective Buyers Focus on:

- Competitive Price(benchmarked)
- Payment Terms(discounts)
- Payment Methods(discounts)
- Actual Requirements(vs. assumed)
- Core Items(high cost items)
- Delivered Pricing(freight)
- Service Levels
- Quality Levels
- More

Scope

72 Expense Categories Every Organization will Use



Item	Expense Category	Item	Expense Category	Item	Expense Category
1	Advertising	25	Information Technology Services	49	Records Management
2	Advertising - Internet	26	Internet Services	50	Retirement - 401K
3	Advertising - Magazine	27	Locksmith Services	51	Security
4	Advertising - Print	28	Marketing Products	52	Security Patrols
5	Auto Rentals	29	Marketing Service - Websites	53	Security Service
6	Background Checks	30	Marketing Services	54	Shredding Services
7	Beverage/ Water	31	Mats, Floor mats	55	Signage
8	Business Services	32	Miscellaneous	56	Software
9	Business Services-Accounting	33	MRO Supplies	57	Software, Desktop
10	Business Services-Legal	34	Music & Messaging Systems	58	Software, system
11	Business Services-Scanning	35	Office Equipment	59	Spot Buys
12	Check Processing Services	36	Office Equip. - Postage Machine	60	Storage
13	Computer Hardware	37	Office Equipment/Software	61	Supplies
14	Courier Services	38	Office Furnishings	62	Supplies, Miscellaneous
15	Credit Card Processing Services	39	Office Supplies	63	Tele.- Voice/Internet/Data/TV
16	Employee Benefits	40	Other	64	Telecom Maintenance
17	Equipment	41	Payroll Services	65	Telecommunication - Cellular
18	First Aid	42	Postage	66	Telephone Systems
19	Fixtures	43	Prescription Services	67	Temporary Help
20	Food & Beverage Services	44	Printed Mat.-Custom	68	Transportation - Other
21	Food & Beverage Services - Vendor	45	Printed Mat.-Packaged Goods	69	Transportation - Small Package
22	Food Services	46	Printed Mat.-Pro. Correspondence	70	Transportation, LTL & TL
23	Human Resource Services	47	Promotional Items	71	Travel
24	Information Systems	48	Purchasing Reward Card	72	Uniforms & Laundry

Scope

56 Automotive Related Expense Categories



Item	Expense Category	Item	Expense Category
1	Aftermarket Accessories	29	MS - CRM
2	Aftermarket Services	30	MS - Digital
3	Auto Body Repair	31	MS - Events
4	Auto -Paintless Dent Repair	32	MS - Lead Response
5	Auto Parts	33	MS - Miscellaneous
6	Auto Parts - Non OE	34	MS - Online Chat
7	Auto Parts - Used	35	MS - Owner Marketing (Print Mktg)
8	Auto Rentals	36	MS - Reputation Management
9	Auto Tires	37	MS - Search Engine Optimization
10	Body Shop Supplies	38	MS - Service Schedulers
11	Car Wash	39	MS - Social Media
12	Chemicals	40	MS - Websites
13	Credit Bureau	41	MS- Fixed Operations
14	Detailing Services	42	MS- Used Car Ads
15	Detailing Supplies	43	Online Manuals
16	DMS & Related	44	Parking
17	Equipment	45	Shop Gases
18	Fuel	46	Shop Supplies
19	Glass & Installation	47	Signage
20	GPS	48	Storage
21	Key Management Systems	49	Supplies, Miscellaneous
22	Locksmith	50	Tools
23	Lubricants - Specialty & Flush Kits	51	Towing
24	Lubricants & Fluids	52	Trans.- Auto Transportation
25	Mats, Floor mats	53	Uniforms & Laundry
26	Miscellaneous	54	Utilities
27	MS - Call Management	55	Vehicle History
28	MS - Classified Listings	56	Waste - Hazardous (oil, fluids, tires)

Scope

16 Facility Related Expense Categories

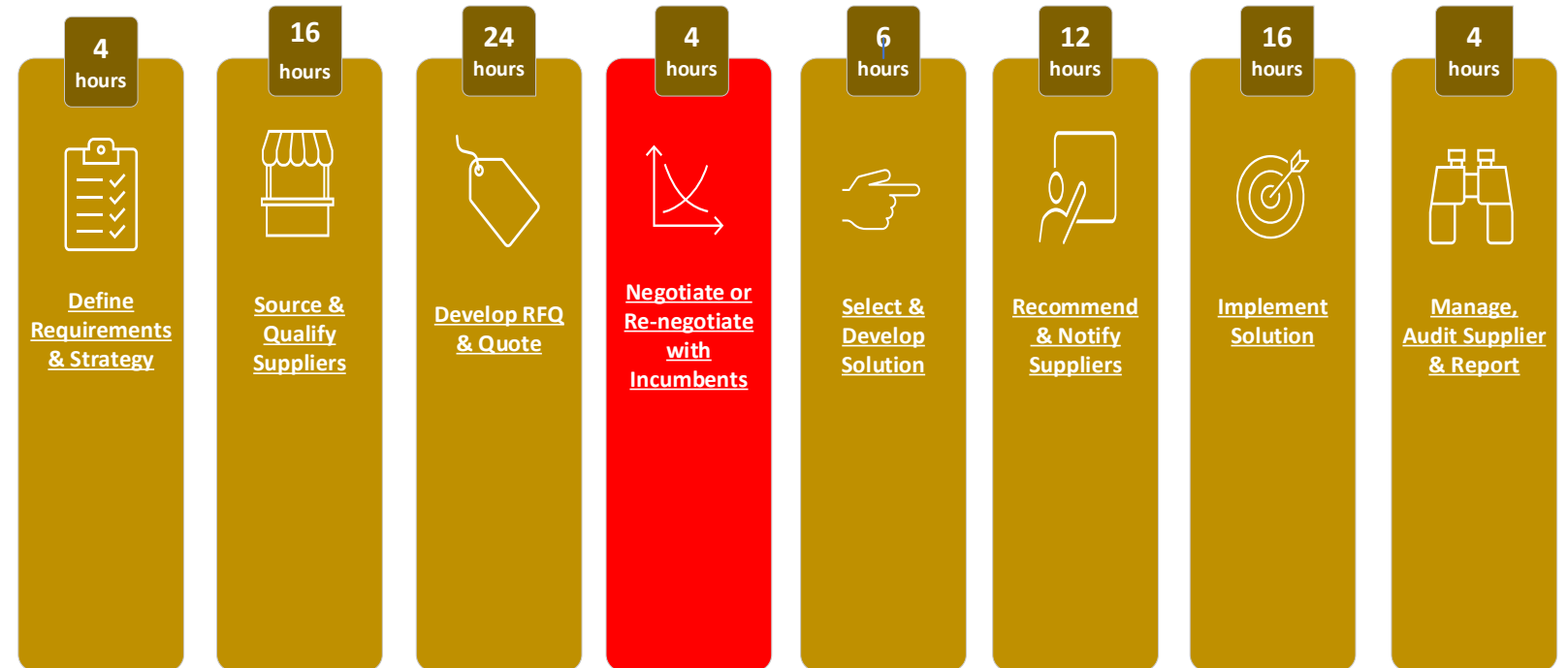


Item	Expense Category	Item	Expense Category
1	Carpet Cleaning	9	Maintenance-Lighting
2	Elevator Maintenance	10	Maintenance-Parking Lot
3	Janitorial Services	11	Maintenance-Plumbing/Drains
4	Janitorial Supplies	12	MRO Supplies
5	Landscape Services	13	Utilities
6	Maintenance - Pest Services	14	Waste & Recycling
7	Maintenance-Door Services	15	Waste, Hazardous
8	Maintenance-HVAC	16	Window Washing

By-passing Key Sourcing Steps Result in Significant Overpayments for Supplies and Services

How Most Sourcing – Renegotiating is Accomplished

Many organizations skip seven (7) key steps and go right into re-negotiation



Four(4) hours typically spent on a category negotiations resulting in 25% over-payment

Leadership matters in a performance driven culture

Change Agent



- Assesses Organization
- Determines opportunities
- Creates alignment
- Not afraid of radical change
- Will break eggs(change)
- Measures performance

Caretaker



- Manage what they inherit
- Incremental change
- Nibble around the edges
- Fine tuning
- Unlikely to break eggs or alter processes

What is Your Approach?

Are you satisfied
or dis-satisfied
with the Status
Quo?

“Change agents make things happen”



“Caretakers watch things happen”



Large Savings – High Spend Opportunities



StrategicSource

New Revenue & Cost Savings Opportunities

New ideas to bring
new top line
revenue, audit
recovery \$\$ to your
business

New Revenue - Savings Opportunity

#	Category
1	Warranty Recovery Labor Rates & Parts Margin
2	Automated Vehicle Inspection
3	Tech Doc Automation
4	Accounts Payable Processing
5	Remote Signing & Notary
6	Customer Loyalty Programs
7	Purchasing Reward Card
8	Auto Insurance Referrals
9	Accounts Payable Automation
10	Credit Card Processing Consulting
11	Auto Body Repair-Paintless Dent Removal
12	Employee Retention Credit
13	Transportation - Shipping Recovery
14	Solar Panels & Installation
15	Employment Tax Overpayment
16	Account Collections
17	Workers Comp Recovery
18	Food Service Vending

High Cost Reduction Opportunities

#	High Spend	Category	% Saved
1	X	Marketing Service-Customer Interaction Management	92.3%
2	X	Credit Card Processing	80.0%
3		Auto Rentals	75.6%
4		ID Verification Services	71.0%
5		Glass & Installation	68.6%
6		Waste - Hazardous (oil, fluids)	66.8%
7		Records Management-Storage	65.6%
8		Lighting Upgrade	59.6%
9		Mats and Carpets	57.8%
10	X	Vehicle History	49.4%
11		Office Equipment - Postage Machine	48.3%
12		First Aid	48.1%
13	X	Warranty Claims Processing	43.8%
14		Key Cutting & Fob Programming	43.4%
15		Human Resources	40.5%
16	X	Marketing Service-Scheduled Media Savings and Rebates	40%
17		Managed Print Services	39.8%
18		Equipment-Floor Scrubber	35.3%
19		Miscellaneous	34.6%
20	X	Telecommunication Services	33.2%
21		Office Supplies	32.8%
22		Check Processing Services	31.6%
23		Equipment-Shop	31.4%

Large Cost Savings Opportunities

#	High Spend	Category	% Saved
24		Background Checks	31.3%
25		Shop Gases	30.7%
26		Records Management -Shredding & Destruction	30.1%
27	X	Information Technology - Managed Services	30.0%
28	X	Shop Supplies	28.4%
29	X	Bank Finance(Floorplan, Real Estate, Operating, etc.)	28.0%
30		Marketing Service-Photography Services	27.4%
31		Access Control Systems	27.1%
32	X	Credit Bureau	27.0%
33		Computer Products & Hardware	26.4%
34		Auto Tires	26.4%
35	X	Marketing Service-Inventory Management	25.3%
36	X	Marketing Service - Websites	25.0%
37		Printed Products	24.7%
38	X	Transportation - Small Package Shipping	24.7%
39		Sourcing Inquiry	24.4%
40		Janitorial Supplies	22.7%
41		Marketing Service-Sales Training	22.4%
42	X	Dealer Management Systems	22.0%
43	X	Office Furnishings	21.4%
44		Vehicle Titling	21.3%
45		Nitrogen Generation Systems (N2G)	21.2%
46	X	Compliance Management	20.8%

#1

Interest Expenses & Bank Fees



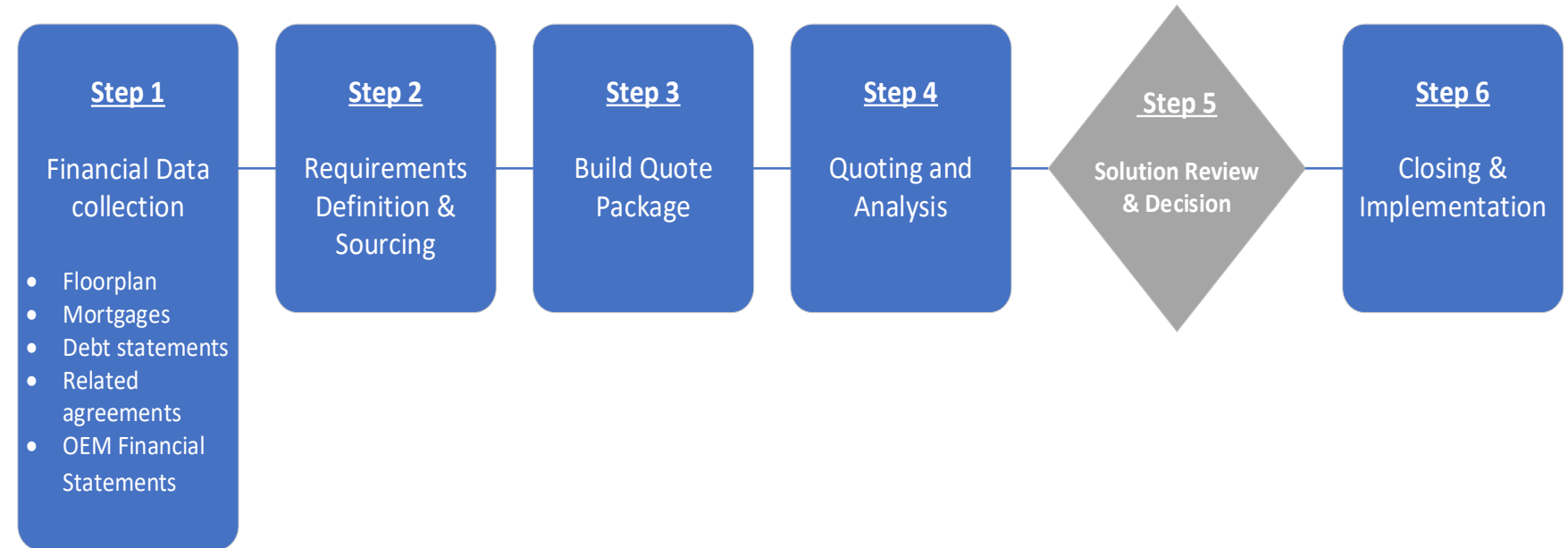
Detail	Overview
Category Name:	Interest Expense – Bank Fees (Floorplan, Real Estate, FF&E, Working Capital, Blue Sky)
% Savings Opportunity:	20-30% of Spend
Business Problem:	<ul style="list-style-type: none">• High interest rates – high interest expense• Larger inventories• Various credit facilities• Spread differences in rates can be vast• Strict covenants• Personal Guarantees• High Treasury Management Fees
Suggested Approach:	<ol style="list-style-type: none">1. Competitive Quoting2. Source multiple lenders3. Aggregation4. Use your leverage
Timing:	<ul style="list-style-type: none">• 8-12 weeks
Other:	

#1 Interest, Finance, Floorplan, Bank Fees

Suggested Objectives:

1. Reduce interest expense
2. Loosen covenants
3. Eliminate personal guarantees
4. Increase Cash Yields
5. Reduce Treasury Management Fees

Six Step Process to Reduce Interest Expenses



#2 Dealer Management Systems



Detail	Overview
Category Name:	Dealer Management Systems - DMS
% Savings Opportunity:	10 – 20% of current spend
Business Problem:	<ul style="list-style-type: none"> • High cost of systems • Technology – configurations, equipment • Complex invoicing – billing structure • Many processes impacted across business • Integration Fees • Billing duplication • Overlap of capabilities • Unused services-capabilities • Emerging competitive landscape • Pricing vs. market
Suggested Approach:	<ul style="list-style-type: none"> • Clear requirements definition • Competitive demos • RFQ or RFI process
Timing:	<ul style="list-style-type: none"> • 180 days – 6 months recommended

#2 Dealer Management Systems Suppliers



Supplier Options

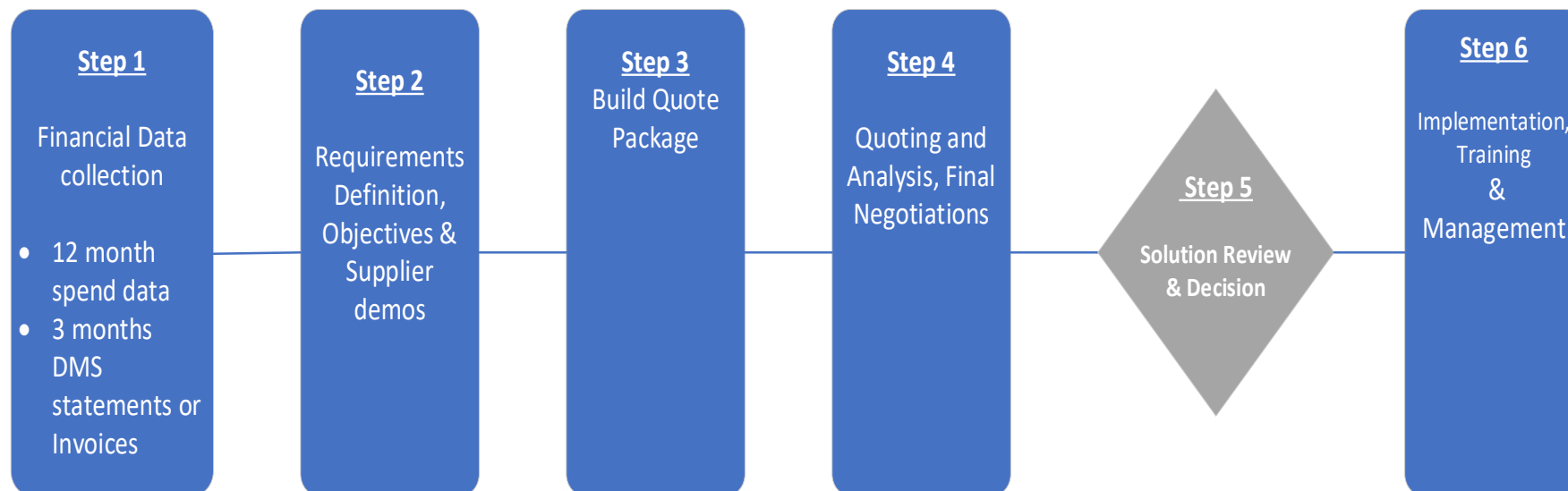
1. AutoMate
2. CDK
3. Dealerbuilt
4. Dealertrack
5. PBS
6. Reynolds and Reynolds
7. Tekion

#2

Dealer Management Quote Process



Six Step Process to Reduce DMS Expenses



3

Credit Card Processing & Pass Through



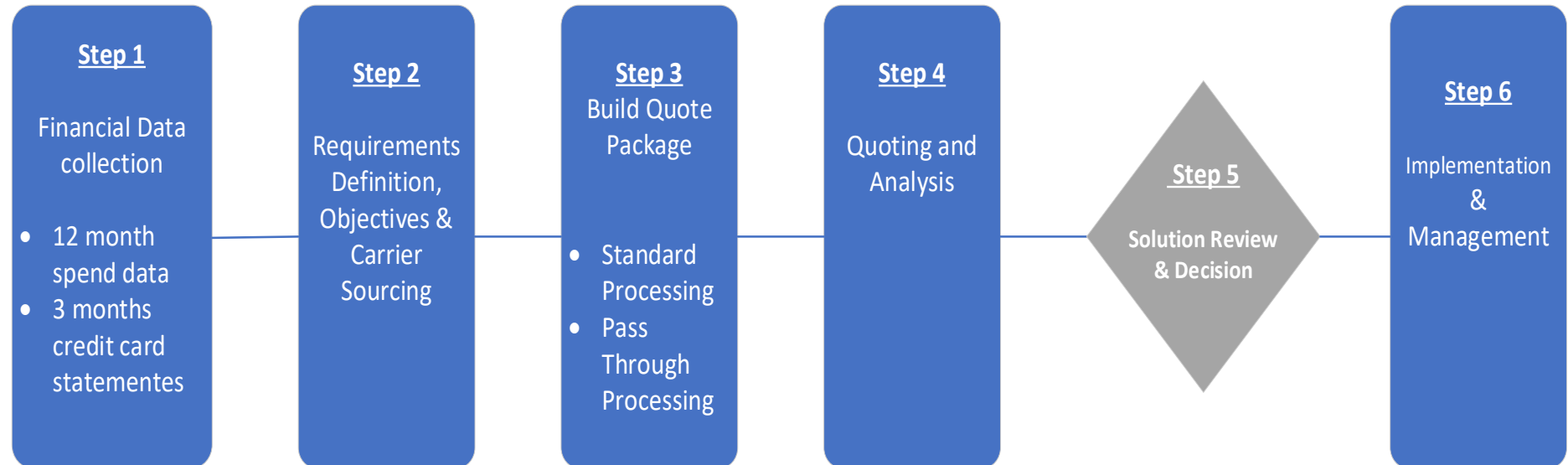
Detail	Overview
Category Name:	Credit Card Processing
% Savings Opportunity:	15 – 80%
Business Problem:	<ul style="list-style-type: none">• High rates and charges• Complex invoices• Many accessorial fees• Greater consumer dependence on Credit Cards• New alternatives in processing
Suggested Approach:	<ul style="list-style-type: none">• Go to market• Traditional credit card processing• Consider and review pass through options
Timing:	<ul style="list-style-type: none">• 3-4 Weeks for Quotes and Demo's• Another 30 days for training, implementation

3

Credit Card Processing & Pass Through



Six Step Process to Reduce Credit Card Expenses



#4

Insurance

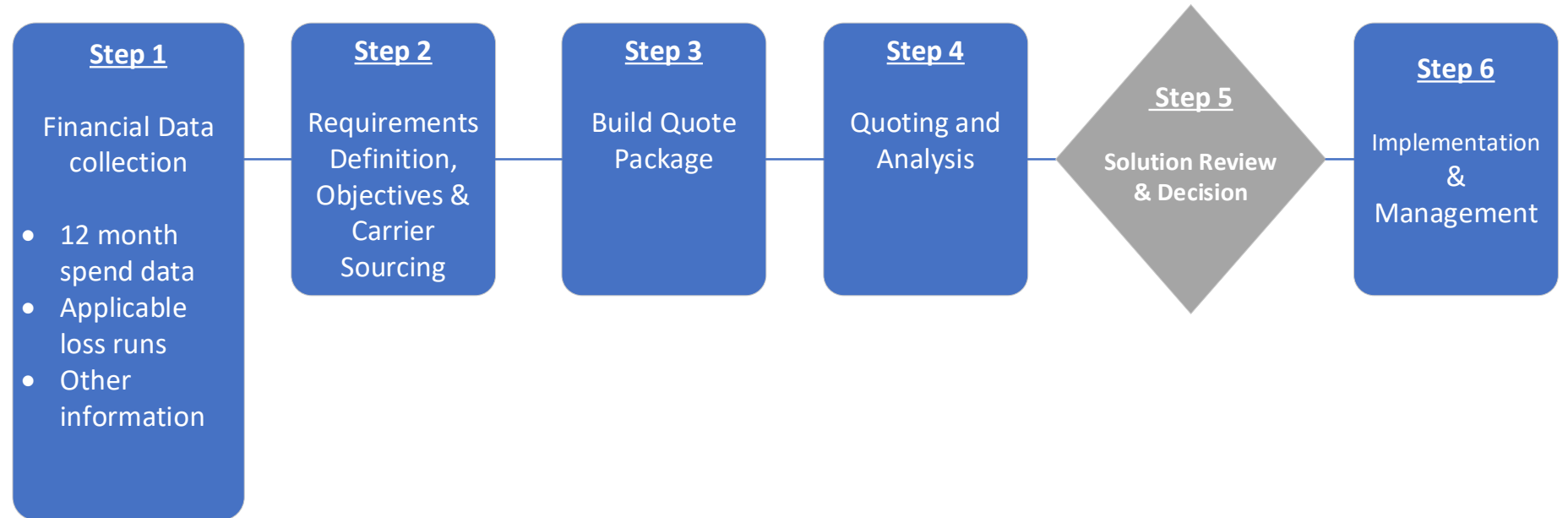


Detail	Overview
Category Name:	Insurance, P & C, Health, life
% Savings Opportunity:	10 – 50%,
Business Problem:	<ul style="list-style-type: none"> • Increasing insurance rates • High property insurance claims • Insurer Assessments • Internal relationships prevent regular quoting • Marketplace is scrambled in some areas
Suggested Approach:	<ul style="list-style-type: none"> • Gather spend • Gather loss runs • Build requirements and objectives • Define carriers to quote with
Timing:	<ul style="list-style-type: none"> • 6 – 9 month process for most
Other:	

#4

Insurance Quote Process

Six Step Process to Reduce Insurance Expenses



insurance



#5

Transportation, Small Package

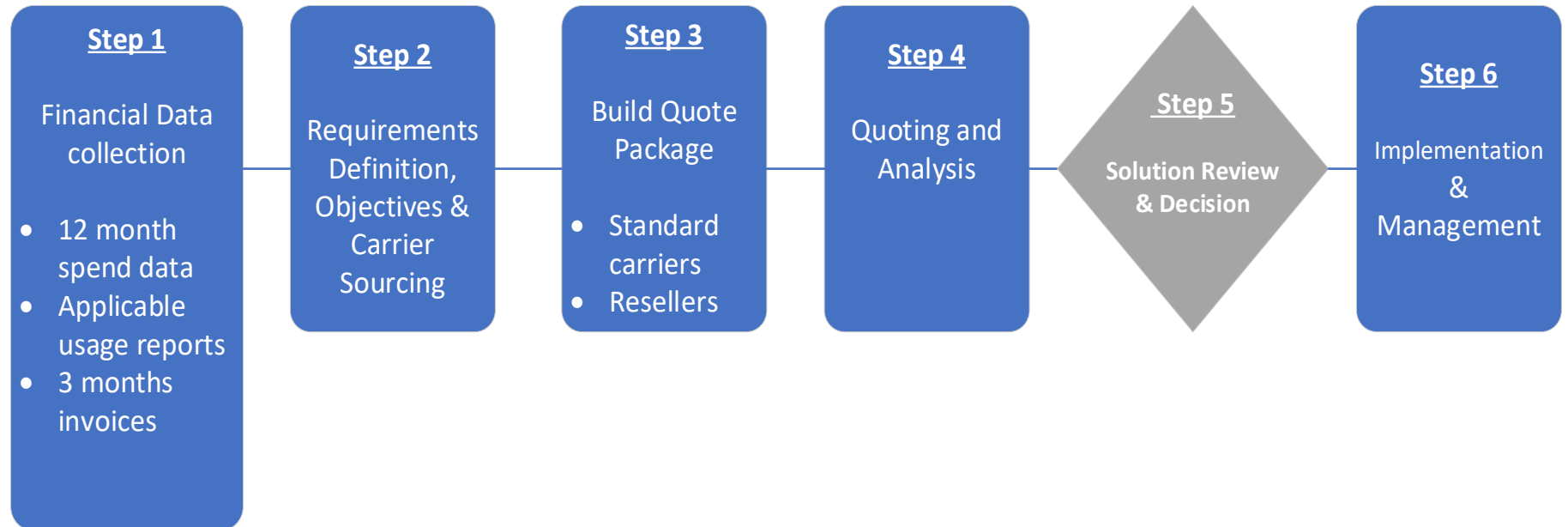


Detail	Overview
Category Name:	Small Package Transportation
% Savings Opportunity:	20 – 25%
Business Problem:	<ul style="list-style-type: none">• Large rate increases• Fuel surcharge additions• Annual pricing adjustment• Increased reliance on small packages/envelopes• Buyers unaware of competitive options
Suggested Approach:	<ul style="list-style-type: none">• Gather 12 month spend• Obtain carrier usage reports for review• Define competitive alternatives(direct, resellers)• Develop quote packages• Quote, analyze, negotiate and decide
Timing:	<ul style="list-style-type: none">• 4 - 8 weeks

#5 Transportation Quoting



Six Step Process to Reduce Transportation Expenses



For a copy of the deck
scan the QR code



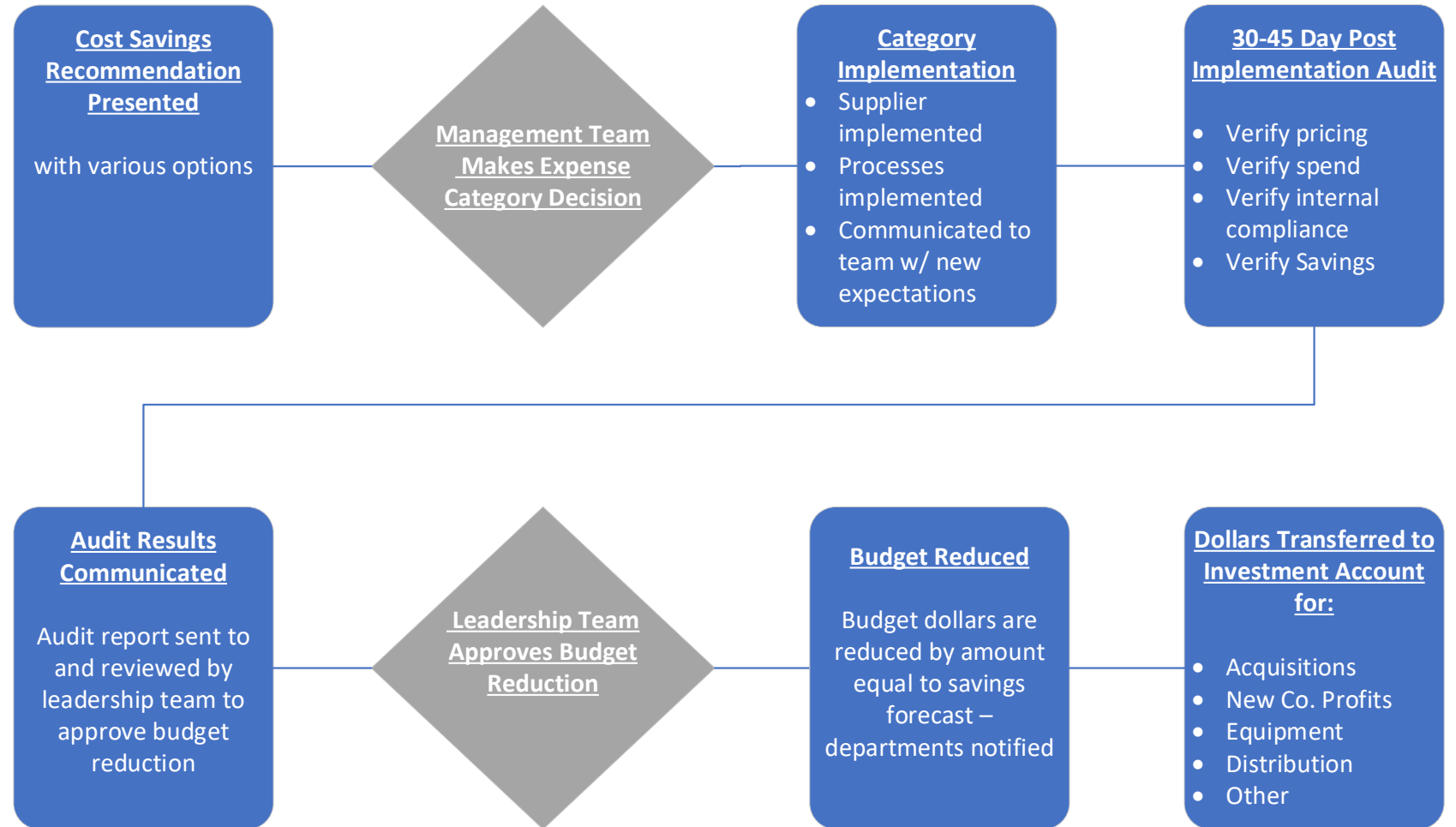
STRATEGY IDEAS Progress Problem MEETING Business Future Innovation Dialog IDEAS Forum
Discuss Communication
Next Steps SOLUTIONS
QUESTIONS IDEAS Connection INPUT TALK Creativity BUSINESS FUTURE FORWARD
Exploration Session Strategy
PROPOSAL

How to Prove Your Cost Savings and Adjust Your Budgets to Lower Expenses

Once a cost savings solution is implemented, important budget reductions equal to the savings need to occur



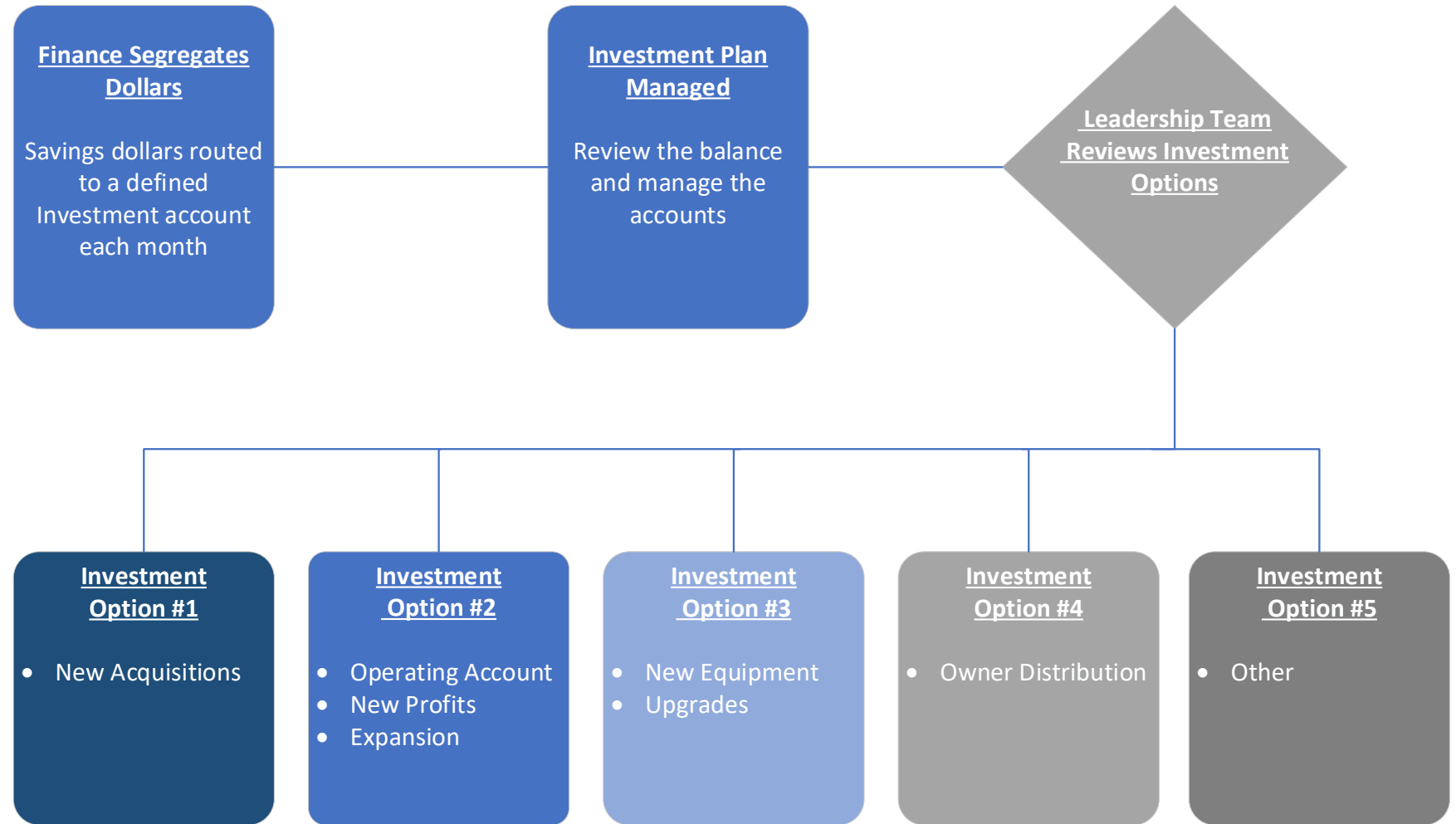
Strategic Source Post Implementation Savings Audit



New Investment Fund, Grows and Provides Numerous Investment Options

Once a savings is audited, & budget adjusted, an equal amount of savings moved into an investment account for future actions

Cost Savings Investment Strategy



Two Questions

1. Do You Know the Cost of Your Supplier Relationships?
2. Is the supplier relationship worth the cost?



Cost of Existing Supplier Relationship?

Answer: \$10,000 to \$25,000 annually

Thank you for your time today!

For a copy of the
deck scan the QR
code

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