



“Business Cost Cutting Tips – Insurance Restructuring and Vendor Contracts”

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During times of difficulty in your business, you will need to take measures to cut costs and reduce expenses. Here are two proven methods to do that.

Insurance Restructuring

Another area where quick cost reductions can be realized is in the area of insurance. As with telecommunications, you will find that in any medium-sized business, things evolve over time and there are likely some easy changes that can be made to free up quick cash in the form of cost reductions.

If you have one insurance agent who handles all of your insurance needs, contact that agent and tell him or her that you are going to restructure your coverage and you would like to rewrite the policies. You want to see what everything will cost with different deductibles.

Now get proposals from other insurance agencies and compare those to this proposal. You will likely find quick savings either with the higher deductibles or between underwriters, or with some combination of those.

Negotiate Supplier Contracts

If you resell and distribute enough products that you have a purchasing department and vendor contracts in place, then you can find some immediate savings here as well. Even if you are not quite large enough to have a purchasing department and you handle these agreements yourself, you can do this.

This method of saving cash is similar to the debt reduction method discussed above. Instead of negotiating with creditors who you are paying money to, you can negotiate with your vendors. Your argument is simi-



lar: if you cannot significantly reduce your operating expenses, you will go out of business.

They may be amenable to the idea of lowering your prices for their products because if you go out of business, they will lose a customer (the fact that you have purchasing agreements implies that you are a large customer of theirs). This can be a powerful motivation.

All the adjustments in their pricing schedule will translate to lower costs for you, which ultimately goes to your bottom line as increased net profits and therefore cash available to survive a business turnaround or other difficulty.