



Savings Plus Service – 2 Pieces of “Food for Thought”

As we enter the last quarter of 2009, both buyers and sellers have learned a lot over the past nine months! With challenges on all fronts in a majority of industries – everyone has had to think more creatively to keep business moving forward through this year. The good news is we’re all beginning to hear in the media some initial sounds and discussion about “recovery.” And while we still need to make it through the end of the calendar year, it isn’t too early to think about 2010 and bring some focus to moving into recovery mode. So what considerations should buyers include in their purchasing strategies that will help them take the best advantage of the recovery?

1 - Understanding the Nature of Savings

Pressure from management has highlighted the differences between price and cost in a way that has upped the need to be clear on the factors that make up savings, without sacrificing utility, service, or quality. That’s easier said than done, as we all know.

Consider what factors your savings estimates are based on and do a reality check to make sure these factors don’t result in other issues or risks before you commit.

Have you considered...

- Examining shipping/freight costs, particularly with international shipments;
- The impact of order minimums that don’t match your organization’s needs, but do meet the “savings” you’ve promised your boss;
- How to handle the tradeoffs you make with a supplier to get the lowest price that may result in an erosion of the savings you’ve negotiated?

2 – Service as a Component of Purchase

When considering new suppliers, or asking current suppliers to dig deeper, what are some of the potential outcomes that you need to take into account in the overall purchase process?

Have you considered...

- What your strategy will be if the (new or incumbent) supplier doesn't deliver the level of service or turn-around your end-users expect and got in the past – as a direct result of price concessions;
- How to handle a new supplier who raises their price after the first few initial orders, citing “economic” issues that require them to go back to their regular pricing structure after your business has been won;
- Asking your existing suppliers for “cost saving ideas,” rather than just limiting yourself to a lower price on an item? It's possible that creative approaches may SAVE you more in the long run and focuses your supplier on delivering service in more creative and mutually beneficial ways.