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SANDEE WHITEPAPER

The Four Ways Your Purchasing Behavior Costs You Money

As business people, all of us make decisions shaped by a variety of factors—common sense, gut instinct, a reassuring comfort in doing things the way we've always done things. But what if some of the things we've always done actually tend to work *against* us? What if, in seeking to make the smart and cost-effective decision, we're actually *costing ourselves time or money* in the long run?

When it comes to making decisions about a purchase, there are four common behaviors that, on their face, seem to be all about managing the process, maintaining control and saving money. Almost every business person practices at least one of these behaviors, and many practice several or all of them.

And every one of them can cost you money, time and, possibly, your reputation.

Let's review the four behaviors and examine why they work against you.

COSTLY PURCHASING BEHAVIOR #1: Specifying to the solution, not the problem.

Far too often, we decide in advance what the *solution* is and narrowly specify to that decision. We act like the caveman in the story who drew up grand and complicated plans for a catapult to fling him across the river. As he was eagerly telling his friend about this complex contraption, the friend picked up an axe and chopped down a tree, which fell across the river, forming a bridge. The caveman's friend was able to see and understand the problem—*getting across the river*—and designed a much simpler solution.

Many of us are more like the catapult-designing caveman than we like to think. We proceed directly to a specific solution without explaining the situation—and our end objective—to those who are more likely to envision a better solution.

This approach cuts out a great deal of resourcefulness from the very experts you're hiring for their expertise. Explain the *problem* to your vendors and let them use their experience, vision and resources to bring the best *solution* back to you.

More often than not, they'll find a better—and often less expensive—solution than the one you'd originally decided upon.

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COSTLY PURCHASING BEHAVIOR #2:
Keeping all the players in the dark.

Each component of a solution has to work closely with all the other components of that solution.

So why wouldn't you expect the *manufacturers* of each component to work closely with the *manufacturers* of the other components? Keeping each manufacturer in its silo, isolated from all the other contributors to the project, cheats you out of their combined expertise and resourcefulness. What's more, it can have costly consequences.

Silos result in communication breakdown

The procurement director of a major transmission manufacturer determined that it was in his best interest to inhibit contact among his suppliers. He reasoned that if vendors couldn't communicate with each other, they couldn't share pricing information that might later put him at a disadvantage.

So the responsibility for communicating among all the vendors—and ensuring that all information was precisely conveyed from one supplier to another—fell to the transmission manufacturer's employees. And, as often happens with relayed information, some of the key messages fell through the cracks.

When the gaskets supplied by one vendor didn't precisely fit the cowling provided by another supplier, the project was delayed and incurred substantial cost overruns.

Allowing your suppliers to work together and communicate with each other—in fact, demanding it—will often lead to better synthesized, simpler and more cost-effective solutions.

Shared information fuels cost reductions

A cable manufacturer was seeking to lower costs by shifting time-intensive stock management onto suppliers. The manufacturer wanted to improve supply chain information, allowing vendors to better manage their own production schedules.

Step one was implementing a real-time information network to increase supplier efficiency. Vendors were able to communicate with the cable manufacturer—and collaborate with each other. Suppliers were in charge of managing their own inventory, which allowed them to optimize their production schedules.

As a result of the new supply communications network, the cable manufacturer was able to lower personnel costs by reducing headcount and requiring less overtime from employees. The company also helped its suppliers cut costs by allowing them to more effectively run their production schedule to reduce inventory. Best of all, the company achieved a reduction of more than 50% in the cost of purchasing, all thanks to the new supply communications network.

When you break down the barriers between suppliers and increase the communication flow, you give everyone involved with the project the best chance to contribute to its success.

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COSTLY PURCHASING BEHAVIOR #3:
Failing to do the math. *All* of the math.

Are you looking at numbers through a microscope—or a telescope? The former can give you a lot of specific information about individual pieces of the project. The latter will provide a much better view of the big picture.

When you bid a project, are you critically examining the cost per part? Or are you considering the total cost of the project?

Tooling, packing, revisions, secondary operations performed at a third-party facility, delays in delivery, the likelihood of a re-run of the part due to product failure—all these are important factors that weigh into the eventual cost of any manufacturing project.

Are you overlooking potential costs that may arise later in the project—when time is at a premium?

Faulty part leads to missed opportunity

A fast-growing toy manufacturer was accepting bids for the electronic components of its exciting new interactive speaking toy targeted to adolescent girls. The manufacturer decided to bypass its usual microprocessor vendors and awarded the contract for that part to a company with which it hadn't worked before—a supplier whose per-unit price was lower than that of any other microprocessor vendor bidding on the project.

Production of the toy was underway, packaging was designed and sales orders were flowing in from retailers who wanted the toy on their shelves for the holiday shopping season. Projections were looking rosy—until the microprocessors were installed in the toy and didn't perform to specification. The toy manufacturer couldn't ship the product in time to take advantage of the holiday shopping season, the orders went unfilled and the breakthrough opportunity for this ambitious company withered and died before it even had a chance.

"For want of a nail, the battle was lost," laments the old proverb. Are you allowing the tempting appeal of short-term gains to jeopardize the success of your entire project?

Take the long view

The president of a printing company initially balked at the six-figure estimate for producing an easily updateable sales video showcasing his company's capabilities. Then he weighed that figure against the advantage of having his video available on his company's website for viewing by any prospect at any time, and the increased exposure his company would enjoy while it reduced costly sales travel and the need for expensive and continually updated printed materials, and he saw the video for the bargain it actually offered his company.

People who are penny-wise and pound-foolish wind up paying a lot of pounds.

COSTLY PURCHASING BEHAVIOR #4:
Forgetting what's at stake.

Each time you specify or recommend or purchase, you're doing a lot more than scribbling your initials on a memo or purchase order. *You're putting your name on the line.* You're placing your reputation in the hands of vendors whose performance, work ethic and commitment to your project will directly impact you.

Who do you trust with your good name?

Trust is a quality that's earned over time. Vendors earn it by keeping their word, by not passing problems in their supply chain onto you, by delivering on time as specified. They earn your trust by delivering ways to save you time and money, or by helping you do your job even better.

If a low price is your key consideration, you're ignoring other factors—flexibility and resourcefulness, personal commitment to your project, dependable on-schedule delivery, product reliability—that in the long run often matter much more than a low price.

What do you know about the vendors you're hiring? Are you comfortable putting your reputation—*your good name*—in their hands?

Only work with people who make you look good. Every time.

Sandee Manufacturing has been delivering solutions for the most difficult plastic extrusion challenges since the extrusion industry began. For 70 years, we've produced custom and standard extrusions for hundreds of companies in dozens of industries. In addition, we offer branded products such as our Motion Mat® easy-glide shelf liners and our Safe Surfaces™ antimicrobial clear and frosted acrylics.

Our capabilities span a vast spectrum of materials and special applications, including co-extrusion and multicolor. We design and produce our own tooling out of our two production facilities in suburban Chicago and suburban Los Angeles.

Our clients in dozens of industries enjoy the commitment, integrity, resourcefulness and professionalism we describe in these pages. If you'd like to experience those qualities from a supplier, please contact us today.

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