

buy cheap pay dear



My grandmother used to say: "Buy cheap, pay dear". An equally common expression often quoted is: "If you pay peanuts, you get monkeys". The French say: "On n'a rien sans rien", which means you cannot get something for nothing. The Spanish equivalent is "Quien algo quiere, algo le cuesta". So we all seem to agree the world over that if we cut corners there is a very good chance we'll pay for it later.

So why then have we all become obsessed with price and driving costs down, irrespective of whether this actually has a detrimental effect upon us? There are some who argue that this is

deep-rooted in the belief that everyone is trying to pull one over on us and that we will develop a reputation as being gullible if we do not squeeze every conceivable discount out of our suppliers. Others lay the blame at the door of the Internet saying that since we can now compare and contrast virtually any product or service available in the world we can therefore secure the best possible price. And the best price is of course the lowest price, isn't it? You don't sound too sure. Nor am I.

Be simply the best!

The most successful companies throughout the world are those who have the best procurement structures and supplier relationships. Yet they do not buy exclusively on price. Instead, they operate a highly equitable professional procurement operation. All the parties involved know what they can expect. Timescales and budget parameters are set in advance. Access to the necessary information is made available and briefs are clear. There is strong management with direct lines of communication. Realism is a byword and those undertaking the procurement have a good understanding of the processes involved in the services they are buying. Of course regular reviews and tenders take place but not so frequently as to drive suppliers away. Consequently, trust and loyalty on both sides builds up quickly and suppliers are motivated to go the extra mile for these companies. Long term relationships are forged. Above all there is an acknowledgement that suppliers have to earn a living.

The dangers of outsourcing

Where outsourcing is unstructured things can come seriously unstuck. Many clients have found themselves actually unable to verify if they own the intellectual property of their own brand identity or even their advertising campaign because they do not know who the originator is; nor do they have any clear contractual documentation to clarify the situation. Where such procurement is not joined up there is also a high level of duplication, with work being recreated again and again because no one knows who holds the original. Any short term benefits of a so called discounted price are soon wiped out. Integration is impossible and mistrust rife.

Are you really getting a discount?

I once spoke to a marketing consultant who said when he got fed up with clients who insisted on a discount on every estimate, he simply quoted double his daily rate and then gave them a 50% discount. They went away happy but interestingly enough he said he begrudged working for them and never felt he gave them the same level of service as he did those who had paid the same full price.

The psychology of the situation I am sure strikes a chord with all of us. No one wants to be seen as cheap or undervalued. So in terms of effective procurement; are we really searching for the biggest discount, the lowest price or are we actually searching for the best value? With value added terms bandied around by procurement managers like they were new toys, clients, consultants and agencies can be forgiven for wondering how they let the bean counters take over their world without putting up more of a fight.

JDi was founded over 13 years ago on the firm belief that outsourcing was the future for all marketing services procurement. However, we had to quickly change our view as unstructured outsourcing represented too much of a risk to both ourselves and our clients. There were too many potential problems and no way to control or guard against them. Consequently, we re-invented outsourcing in a highly structured, risk-free form we still use to this day – which we call: “in-sourcing”.

In-sourcing

Unlike outsourcing, our “In-sourcing” enables us to provide clients both large and small with their own dedicated, tailor-made team capable of procuring anything and everything they may need, while protecting them in terms of quality of goods and services, intellectual property, budget, timing, consistency, legal compliance and actual delivery. All accountability rests with us and we manage everything – leaving our clients to get on with more important things. The system’s structure protects all parties at all times and given us a true 24/7 full service agency capability.

James Massey, former Openwork Marketing Manager at Zurich is a great believer in structured outsourcing and recently appointed us:

“It is important to have a very strong relationship with an almost limitless network of suppliers; all of whom feel they are just as much a part of the team. JDi also share full responsibility for the end result with us. With such a structured outsourcing approach, I have almost unlimited resources at my fingertips; large agency capability with a small agency price tag.”

Conversely, another prospect told me they were only interested in two criteria from an advertising agency like ours: Quality of service and price. Now I can relate to this but is outsourced procurement really that simple? Reputation and highly-trained personnel are also important factors, and often cited as the reason for including us on a pitch list. Some organisations simply rotate the companies they use, believing misguidedly that this keeps prices down. It does not. It simply undermines trust and loyalty – two other highly valued considerations. Another is honesty.

Keep it simple!

Keeping things simple and attention to detail are two of the most important elements we have found that help build a client’s confidence in you. I am not saying for one moment that a large price saving is not possible to achieve through outsourcing. It can save clients over 40% on the cost of their marketing services in just this way. The problems can occur when the price reduction comes at the expense of performance or quality of the end product. This we cannot accept and nor should our clients. Their bosses are not going to be very forgiving with them if everything goes wrong. So when we make our campaign recommendations, clients look to our experience and expertise to give them reassurance that what we are proposing comes with the absolute minimum of risk. The JDi team has not had a campaign failure in over 17 years and that is as much down to not making outsourcing mistakes as it is good marketing judgement.

Confidence grows with understanding. Ideally in outsourced procurement, as both parties understand each other better, the confidence engendered grows. Keeping things simple and attention to detail are two of the most important elements we have found that help build a client’s confidence in you. Demonstrating commitment and reliability also accelerates this relationship building process.

Exceed expectations

Finally, adhering to strict time frames and budget may seem obvious but there are few things that will please a client more than finishing a job ahead of schedule and under budget. The best way to

do this I believe is to deliver outstanding quality of work, being as prepared as you can be for the unexpected and to anticipate and have the capacity to handle additional work that may be required. Exceeding expectations may be an old cliché but it remains the single most important reason why clients stay with us for so long.

Be honest

While an obsession with the cheapest price is to be avoided, be also wary too of those who promise 110%. How can someone give you more than 100%? The most amusing response I have seen to such pointless over-claiming is this. If you number the letters of the alphabet A–Z, one to twenty-six, you can work out what 100% is worth. For example, the sum of the letters in the words:

Hard work = $8+1+18+4+23+15+18+11 = 98\%$

Knowledge = $11+14+15+23+12+5+4+7+5 = 96\%$

Attitude = $1+20+20+9+20+21+4+5 = 100\%$

From this we can conclude with mathematical certainty that hard work and knowledge will get you close, but the right "Attitude" will get you 100%. I'll leave you to figure out what words add up to over 100% and will put you over the top! So the next time someone says there are only three things that matter in procurement: "*Price, Price and Price*", ask them if they mean the lowest price or the best value. There is a vast difference. The former is riddled with risk, uncertainty and disappointment. The latter will give you more than you expected and no less than you deserve!

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