

Same Process... Same Results... Change it for Better Results

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Cost Containment Specialists (CCS) partners with organizations that need to reduce operating expenses. Since 1998, CCS has helped businesses and non-profit organizations reduce and contain costs. Our expense management experts use a proven methodology to achieve meaningful cost reduction and containment across a wide range of indirect expenses. Our fees are success based, so you do not pay us until we produce the savings. *For more information, call (937) 660-5368 x10, or email info@cost-containment.com*

Over the years, we were taught that a good repeatable process should always produce the same results... with little variation and few errors. That is a good thing for many processes such as manufacturing widgets, processing customer orders, paying bills, etc. It is not a good thing in an expense reduction and sourcing project. In an expense reduction and sourcing project uncertainty, variation, and supplier tension is a good thing. Add competition tension, especially competition tension, incumbent suppliers get nervous about losing the business and potential new suppliers get encouraged and excited about winning new business. Everyone sharpens their pencil... which is a good thing... for buyers.

At a recent client, we were engaged to review their indirect purchase spend. We were told, 'see what you can do' to improve on what the client had already completed. In most spend categories we looked at, the client had recently 'renegotiated' the current pricing with the incumbent supplier (repeatedly for years in some cases) but had not completed a rigorous, and competitive RFP process. In most cases, the client was informed by suppliers that their current prices were the best that could be offered. All good sales people say that, right? Therefore, there is nothing for Cost Containment Specialists to do? ...Wrong.

We reviewed many of the categories, researched the markets, and set up various competitive sourcing initiatives, introduced alternate suppliers, and conducted fair and open competitive bidding and negotiations. In some cases, we found errors in specs, poorly administered contracts, and other issues with the current suppliers. In all cases, we improved the clients previously negotiated prices (generally double digit improvements), improved contract terms, and maintained or improved service levels, often without changing suppliers! So much for sales people claims about the 'best prices that can be offered.' Maybe it was the best that they could offer, but when faced with losing business supplier management at higher levels (with higher discount authority) usually will get involved to improve on those 'best prices'!

Here are several lessons or reminders. First, "Different Process... Better Results" is the rule in cost reduction and sourcing initiatives. High quality and high impact sourcing results often come from changing the way things are done. Change the process for best results. Second, introduce uncertainty into the process. By engaging Cost Containment Specialists, the client completely 'changed the game' and introduced a huge amount of concern for the incumbent suppliers. The suppliers didn't know us and

didn't know what we knew about the market value of their products/services. Many did know our reputation for obtaining the best value for our clients. That alone, is a good reason to engage outside resources to help quickly source non-strategic spend categories. Third, identify and introduce new suppliers to the client. New suppliers are hungry, have new ideas, take a fresh look at the opportunity, and again, generate uncertainty for the incumbent. Finally, 'the best price that can be offered' is usually not the lowest price (or best value) when RFPs are effectively structured and competition is introduced.