

BUSINESS MANAGEMENT BY CHUCK YENKNER

7 keys to "BUYING SMART"

TAKEAWAY

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The average dental laboratory in North America spends between 18% and 28% of its gross revenues on materials and supplies. Add that to the amount of money spent on services, capital equipment, and other miscellaneous items, and it's easy to see why smart buying impacts the success and profitability of your business.



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ing decision can negatively impact other areas of your business such as managing your technicians or dealing with customers. You must understand the concept of value compared to price. The value of a product is the sum of its benefits, not solely a reflection of the price. A buying "system" and some adherence to basic principles will help you on your way to "buying smart." Here are some strategies you can use.

WHICH BUYER ARE YOU?

Many business owners and managers make one of two common mistakes when making purchasing decisions. The first is not paying sufficient attention to the issue at hand. These decision makers buy almost out of habit from friends or people they like without much attention paid to the details of price, service, or product performance. Their theory is: "It's a good company; we have dealt with them forever; I trust them; they will take care of me."

The second common mistake is an obsession with price. These buyers spend hours comparing costs and shopping for the lowest possible price. They frequently change suppliers. Every purchase becomes an auction, and very little attention is paid to product quality, service, cost of changing equipment and materials, or to product performance.

BEING A SAVVY BUYER

"Buying smart" requires time and effort on the owner/manager's part. You also, however, have to keep in mind that it's only one part of running your business. Spending too much time on making a purchas-

1. Block out time for purchase decision-making.

Set aside a specific time during the day or week to work on purchasing. Use this time to meet with vendors, make phone calls, investigate new sources, and review your operations. Look for bottlenecks that purchasing can help eliminate.

2. Develop multiple sources for key supplies

You need to know where you can get key products in the event your supplier has a problem with a backorder or perhaps a natural disaster (Hurricane Katrina greatly impacted many businesses). Multiple sources also allow you to take advantage of different suppliers' strengths. For example, one company may be a better source for supplies while another might do a better job selling and servicing equipment.

3. Comparison shop among suppliers

Periodically, perhaps semi-annually or annually, do some comparison-shopping between vendors. Invite several suppliers you don't currently use into your lab and ask them for a proposal. Not only compare prices, but also look for other cost-

PRINCIPLES OF EFFECTIVE BUYING

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3. Comparison shop among suppliers.
4. Take advantage of discounted prices for volume purchasing.
5. Eliminate emergency purchasing.
6. Take advantage of specials or meeting discounts.
7. Purchase on consignment.

saving ideas and ways to operate more efficiently. Be sure to evaluate the whole proposal. (Remember, it's the sum of the benefits that equals the value not just the price.) This is a good time to evaluate and compare your existing suppliers in terms of their on-time delivery performance and accuracy. Also ask them for recommendations from their other customers.

4. Take advantage of discounted prices for volume purchasing.

Consider setting up standing orders monthly or weekly or perhaps on an annual volume agreement. Generally speaking, if suppliers know the volume of business coming their way, they can operate more efficiently. By sending you one large order as opposed to four small ones, they will be open to sharing the savings.

5. Eliminate emergency purchasing.

Get your inventory organized to elim-

inate or at least reduce "last minute" or "emergency" purchases. That \$20 bottle of porcelain with overnight shipping costs, rush charges, and perhaps a minimum order charge can cost you upwards of \$50. Not exactly "smart buying."

6. Specials or meeting discounts.

Always ask about "specials" or "meeting discounts." Sometimes special pricing is available even though the "meeting" may be in another part of the country.

7. Consignment purchasing.

Some products (such as teeth) can be placed in your lab on consignment. This means you don't pay for the product until you actually use it in a case. Again, ask your supplier if you qualify for these kinds of programs.

Use these ideas to "Buy Smart for your lab and watch for the positive impact to your bottom line.

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