

Procurement strategies

Large scale cost cutting measures often involve fundamental changes to the way that businesses are run and can be very lengthy and time consuming processes. However, adopting new procurement techniques which can be applied across many vertical commodity markets can result in reduced operating costs. One example of how to cut costs without addressing the whole entity is to take a new approach to the procurement of print toner.

The majority of business consumers select a single supplier for their toner needs usually through a tender process, in the belief that this will secure the best pricing and reduce the complexity of the purchasing process. However often in this area, little attention is paid to controlling consumption, there's just an obsessive focus on price.

If the real focus was on minimising costs, buyers would look at the whole print process in its entirety and the total expenditure. But it's often easier to stick with the same old procedures and simply put out a tender to find a toner supplier, even when this kind of thinking, especially during the current economic climate, doesn't help improve the bottom line.

We believe that many businesses would take a different view if they could see the countless ways in which they are needlessly losing money, and if they are to help stem this loss then the following elements of the toner procurement process should be considered.

Controlling consumption

There are literally millions of pounds worth of toner supplies in office drawers and

cupboards all over the country. Most businesses simply buy more than is needed at the time to make sure that they don't run out; many of these supplies will never be used and are often consigned to the bin when it is discovered the printer hardware has been superseded. Very few organisations have the data or management tools to make sure that toner supplies are only bought when they are needed, but it can make a big difference to overheads; experience has shown that the most efficient user will consume around one-third the volume of the least efficient user.



During a recession, businesses in every sector are under pressure to cut costs, but sometimes this is easier said than done. Here, Doug McLean, CEO Office Canopy Group (OCG), explains how adopting new procurement strategies and techniques can affect the bottom line



For more information

Office Canopy Group www.ocgplc.com

As well as looking at the consumables, it is important to analyse the optimum size, capacity, function and location of printer hardware to meet the needs of end users. Some printer hardware is bought piecemeal, often outside of regular IT procurement policy and without consideration to fluctuations in workload and user profiles; a common example is the use of colour printers where there is only need for a simple black and white laser printer.

Competitive tendering

Many businesses deploy competitive tendering amongst a handful of selected suppliers as a means of seeking the lowest price. These processes are time consuming and expensive to execute and as a result tend to occur at best, annually, but more usually bi-annually. Any supplier who has to commit to a forward price for any period longer than one week - the maximum period to correctly call the buy price from a distributor, has no option but to estimate a supply price. Most will err on the side of caution to take into account the numerous variables that will need to be incorporated in their future buy price which can result in relatively high pricing to business consumers.

When putting a toner procurement contract out to tender, it's important to look at the supplier - in the main, the bigger the supplier, the more purchasing power they have, and the easier it is to get lower prices. A supplier that can get closer to the distributor themselves, thus removing

a further element from the supply chain, will be able to offer a lower price.

Visibility and control

Larger organisations with more offices and more people will find it increasingly difficult to see who is buying what and from which supplier. Very few business consumers have solved the problem of visibility over consumption. Some have the capacity to analyse spend after the event, with the granularity required to actually influence decision making but many will simply narrow visibility down to supplier level, occasionally to brand, but rarely to individual product level. Some consumers have control over who can order, but rarely over what they can order, and to what value.

By making sure that all of your company's offices order from the same system and by controlling who can order what product, a business can make sure that only authorised people can make purchasing decisions, and also that only approved goods are purchased. The more information at your disposal, the easier it becomes to control expenditure.

The processes and strategies employed in this area, to see what is being spent and where, can be used and adapted for other parts of your business' procurement. By realising cost savings throughout a number of different business processes, you can help to improve overall efficiency and ensure that money is not being wasted; ultimately improving the bottom line.