

As a young, (could you believe it) engineer many years ago I was asked by the MD “Who are the most important resource to our company other than the people who work in it.” Without hesitation my answer was “Our customers, sir” because I was very junior. “No.” Says he “Our suppliers. We can find new customers but good suppliers are essential to our survival and growth.” The MD has long since succumbed to his enthusiasm for the joyous grape but his prior to liquid lunch wisdom has stuck with me ever since.

In business it is easy to forget that we are all customers and suppliers we are all part of a series of supply chains. In relay races passing the baton is the critical area. Moving the product or its parts through the race means that we are dependent on all handovers running smoothly and we are all primarily suppliers. I will not try to run this analogy through the piece otherwise it will never get to the finishing line.

The simplest approach is to examine how users of a product or service relate to their suppliers. Let us examine the issues of acquiring, capital equipment, a consumable item and a service.

### **CAPITAL EQUIPMENT**

In the era of specialisation much of the production equipment that is purchased by the printing industry are special purpose machines. They are designed to carry out their functions sometimes 24/7. Such a critical piece of equipment requires a degree of consideration and accurate drafting of the specification that many purchasers are not willing to devote. If things go well the manufacturer makes a reasonable profit and the purchaser receives an excellent return on capital employed. That is what we all want. The reality can be far from this. I know because as consultants we get called in when the brown stuff has hit the air-moving device. At this stage the supplier to customer relationship has nearly collapsed and the partnership is now a conflict. Why? Because assumptions have been made by both parties. As consultants our watchwords are “Never assume”.

It is normally the customer who calls us in and the conversation that often follows is:

“Can we see the specification you supplied to the manufacturer?”

*“Oh we didn’t actually write one we told them what we wanted and they are the experts so we expected them to tell us what we needed.”*

“OK, show us the quotation?”

*“Err? Well its not really a quotation, it’s an outline proposal that they have costed.”*

“So what you are saying is you have placed an order and paid 30% up front for equipment for which you haven’t fully specified the purpose, to a supplier who doesn’t really know what you want or how to do it if they did?”

“Yep”

Now you know why consultants charge so much - it is for the 10-week stay in the respite care home.

First write a precise specification of what you want to produce. Then produce a business plan, this gives you the cost constraints within which you can work. Sales, labour, capital equipment, training and acceptable overheads, etc. (Sounds of sucking eggs) From this you then have a cost envelope for the project and the equipment.

Talk to three or four potential suppliers and provide them with the specification, make sure they all sign a Non Disclosure Agreement if it is an application that you wish to keep under wraps. Select the ones you think are capable and ask them for an outline with budget costs and delivery schedules. At this point you know whether your business plan should hold together. Ask for a list of at least three of the potential suppliers customers and speak to them, preferably go and see the equipment, talk to the machine operators. From the suppliers who have provided acceptable budget costs and have had good references from customers choose one to supply a full quotation. This quotation will include a full description of the equipment and milestones through the development and production stages. Payments will be scheduled into these milestones.

You may say why not get a stack of quotes. That is fine if the product is absolutely standard but you are unlikely to be able to devote sufficient management time to working through four or more complex quotations. The filtering process at budget cost stage will expose the type of people and companies with whom you are considering forming a partnership. There are also the issues of confidentiality and commitment. The need for industrial espionage is greatly reduced by garrulous salesmen who are only too pleased to tell you what your competitors are doing with his equipment and vice versa. Your chosen supplier wants to feel that special techniques he is incorporated into his refined proposal are not passed on to his competitors. Forming a trusting partnership at the outset is crucial because at the times when challenges occur you both need to be assured neither is speaking with forked tongue.

Review the quotation in detail. Involve all those in your company who will be engaged in operating the equipment. Ask lots of questions and put suggestions. Use the expertise in both companies to make this project a success. One of the main reasons for choosing the supplier will be the robustness of their project planning methods. Ideally run a mirror of their plan that fits in with your planning. Suggest that you have access over the net to the manufacturing schedule for your equipment.

When the order is placed agree the project plan and allocate contact individuals in each company these are likely to be the project managers.

Make sure that there are sufficient quantities of products, in the condition that you will have in production for the supplier to use in trials. Be in regular contact with the supplier from week 1. Never accept the statement. "Its not quite right but it will be OK in production". Acceptance at the suppliers' premises should be at least an eight-hour production run. These trials are not "A jolly for the boys" they are absolutely crucial. It is impossible make sensible decisions with a hangover or insufficient sleep.

When it comes to installation have everything prepared, workspace, services, products and all the necessary training. Of course you planning would have covered all this. The

number of times equipment has arrived at a facility only to find that it won't fit through the doors. Tell the rest of the workforce what the equipment is and how it will impact on their work. Many a fine piece of Special Purpose Equipment or new machine has failed because people didn't want it to succeed as they weren't involved or consulted in the build up.

### **CONSUMABLE PURCHASING.**

Developing new products to be used in our industry can be a major investment. Increasingly arduous legislation is restricting producers to more expensive materials. It is easy to falsely compare prices of raw materials with the increasing power per pound in the domestic electronics sector. For suppliers of oil based and extracted raw materials prices are on a relentless elevator. These materials are the basis of our inks, mesh and substrates. But let's not be overly remorseful for the major suppliers as often their group structures end up with the extraction conglomerates who are ramping the prices.

An area in which I get involved is studies of various aspects of the screen-printing industry. What is clear is that prices charged for consumables can vary enormously. I don't mean from brand to brand but precisely the same product from the same supplier but to different customers. The first explanation you would expect is that one customer is buying more than the other therefore they get a better price. Alternatively a customer buys all their consumables from one source and therefore gets an overall discount. I have found that often neither of these conditions applies. The customer is being overcharged. I am not an exponent of getting everything as cheap as you can and I do not recommend you buy on price. Quality and suitability for purpose have to be the main criteria. However I have evidence of 100% difference in price for the same item with the other conditions of volume etc the same. It is fair to say the printer is being ripped off. Of course it may be that his supplier has made an error in costing.

Yes, it happens in life generally but we are professionals and claim to know the business. Just do a check on a range of your consumables, mesh squeegee, solvents, inks etc. Talk to fellow printers and see what they are paying. Clearly we don't want to behave like the supermarkets and hammer the suppliers for cheaper and cheaper product but we do expect to pay a reasonable price not 100% more than the company in the next street. A half a day of your time could save you a lot of money. Never assume you are getting the right price just because you are a big or long established customer.

### **OBTAINING SERVICES**

Whether it is training, consultancy, legal, HR, financial etc. there must always be a business case. The provision of services can have a great impact on the company the relationship between you and your provider has to be one of absolute trust. A good specialist will get right inside the aspect of your company in which they specialise and discover issues of which you were unaware, managing these effectively can have a really positive effect on your company. If you are really devious you may employ a company who will uncover failings of which you are aware so that you can use the outsider as the excuse for taking unpleasant actions. The only satisfaction to the specialist is that he is getting paid. The fact that he is being used to do something for which you did not have the stomach is no pleasure.

As with any expenditure you have to think it through before commitment. Write a specification of what you wish to achieve be precise. Simply doing that may enable you to resolve the issues without calling in external help. As with capital equipment identify a group of specialists who appear to have the skills. Provide them with the specification and get them back after a week or so to present their outlines. Make absolutely sure that the people you are dealing with are those who will be delivering the service. Sales people can make initial contact but you must get to know the individuals who will be delivering the service. This is particularly the case if they are going to be let loose amongst your staff. No matter how competent somebody is if they have bad breath, a dandruff blizzard and body odour they are not going to elucidate the information. Equally, mini skirts and plunging necklines on a consultant could be disruptive particularly if he suffers from bad breath as well.

The amount of work that can go into the final quotation is enormous, as the provider has to think the whole project through and devise a complete plan because you must have a confirmed price. Make sure the project is in stages so that you can review progress at the end of each stage. Agree and have it written into the contract that at the end of any stage the contract can be terminated, suspended or you can request a change of emphasis. It may be that upon completion of a stage you can see the way forward using your own resources. A professional supplier will offer this approach to you in the first place. Never hold key information back from a provider on the premise that it is a test for him to find out the detail. There will be people within your organisation who will be obstructive enough without your help. Tell your staff what the provider is going to be doing and introduce them to the people with whom they will have contact, explain to your people to what the visitor can have access.

A competent provider can be an extension of the management team that will bring benefits far greater than the fees charged.

All three provisions need the application of effective management skills. Success in business is about identifying the areas where you can exploit your strengths and ameliorate your shortcomings. If there is just one point in this article that helps achieve that aim then we have all succeeded.