

The Detriment of Value Shopping

The economy has forced most organizations to rethink their purchasing habits. Driving cost out of products and services has become a hallmark of this recession and many experts suspect that the trend is permanent. Making better informed and more rigorously negotiated buying decisions benefits both parties to the transaction. The new reality is value.

But, has this mantra been taken too much to heart by some buyers? Has the definition of value as getting what is required for the lowest price been replaced by simply finding the lowest price in the category? Have the lessons of you-get-what-you-pay-for been forgotten?



Frankly, shopping for the lowest price for fungible items is obvious. Getting competitive quotes for well-defined items is only a bit more difficult. But, what about items that perform the same basic function but are dramatically different when taken as a whole? Is there a risk in becoming too narrowly focused when defining value? Regrettably, it appears to be an emerging trend.

For example, take asset management software systems. Most off-the-shelf systems have a distinct feature set that encompasses the basic requirements of the category and adds a number of features that make them unique. The more sophisticated the solution, the greater the feature set (and typically, the greater the price). But, in most cases, successful implementation relies far more on the features than the basic requirements. Removing these critical capabilities when selecting solutions can easily spell disappointment or worse.

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Let's illustrate with a single feature. Virtually all asset management software collects data on a portable device and transfers the results to a host database for use by the clients. That is the basic requirements.

However, the extent and methods by which this data is verified for accuracy before the user sees it is crucial for the success of the project and essential to consider during the evaluation of the software. After all, databases that can't be trusted won't be used and if accuracy isn't 95% or better, disappointment is likely. If the buyer ignores this feature to simply achieve a lower price point, they do so at their own peril.



The lesson is simple. Evaluate your options carefully and completely. Select the most suitable alternative and negotiate hard for the best price.

That makes business sense. Simply finding the lowest price in the category based on minimal requirements without understanding what you need to be successful may be to your detriment.

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Tales from the Front is a periodic publication of Asset Systems, Inc. that is designed to provide users and prospective implementers' insight and perspective on current trends and issues in asset management.