

business trends

Ease The Effects Of Rising Costs

(NAPSA)—Businesses of all sizes today can combat the cost increases that not only affect their ability to deliver products and services but also their profitability.

While businesses expect cost increases over time, there are key steps that they can take to mitigate the effects on their company's value chain. A recent survey reveals some interesting insights.

The survey, conducted by leading industry trade publication Supply & Demand Chain Executive and Staples Contract Division, indicates that few companies are effective at passing cost increases for commodities, such as office supplies, transportation, steel and energy, on to their customers. In fact, only 14 percent of executives rated their companies as highly effective.

Businesses must consider consolidating suppliers and lowest total delivered cost when selecting suppliers. Survey respondents indicate that these are the most common and effective strategies that businesses can implement to help cope with price increases.

When businesses consolidate suppliers, it's critical for them to demand a strategic supplier that provides a "frictionless" purchasing system. This system has the potential to drive as much cost out of the process as possible.

A strategic supplier will recognize that today's product pricing represents the shortest-lived advantage and that the real savings comes from a focus on the lowest total delivered cost of goods or services, measured over time.

This approach includes setting policies on minimum order sizes, driving online ordering or reduction in delivery options to lower



the total cost of relationships with key suppliers.

"Lowest total delivered cost focuses on the 'soft dollar,' or back-end, savings generated by process improvements such as reducing small order activity, as well as the 'hard dollar,' or product, savings," said Jay Baitler, executive vice president of Staples Contract Division and a leading advocate of lowest total delivered cost.

When selecting among competing suppliers, a business should also consider each supplier's ability to provide tools that help the buying company understand its total spend as the first step to uncovering savings opportunities.

By promoting greater understanding of the benefits of the lowest total delivered cost approach both through greater collaboration with preferred vendors and through education about total delivered cost within one's own organization, businesses can reap the benefits of their procurement systems and supplier relationships.

To learn more about lowest total delivered cost and how companies address cost increases, visit www.StaplesContract.com or call 877-520-5465.