

Beware of the bargains - why cheaper is not always best

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With the South African economy struggling to grow and many companies tightening their budgets, it is very easy for businesses to fall into the trap of choosing price over quality when making purchase decisions.

On the surface, cheaper equipment may offer most of the features and benefits that the more expensive model offers, without the steep price tag. Sometimes the transaction is even termed a great bargain, whereby the buyer believes he got more value than what he paid for. But is it a bargain? Or are we sometimes unknowingly deferring the full payment, costing the business more in the longer-term? When it comes to practical equipment have you ever wondered why one option is so much cheaper than another?

This doesn't suggest that procurement managers should not consider price when purchasing business equipment. Of course it's hard to justify investing money with an eye on the long-term when there are other areas of the business that also need a cash injection. This also makes it easier to buy what is cheap now and not worry about the long-term impact. However, it is equally important that procurement managers ensure that the bargain of today does not turn out to be the money pit of tomorrow. As Benjamin Franklin once brilliantly put it, "the bitterness of poor quality is remembered long after the sweetness of a low price."

Why cheaper is not always better

. It is well known in industry that substance abuse related accidents cost companies hundreds of thousands of Rands every year. So we can look at something simple like a breathalyser. Why does one brand with similar features cost significantly less than another brand. Build quality and the quality of materials used is one reason but what most people don't know is that the more expensive products go through various accreditation ratings. These accreditations include things such as vibration testing, moisture, humidity, dust and drop testing. These accreditations and tests

are expensive to put instruments through and of course the instrument will cost more to manufacture to meet and pass those tests.

Unfortunately most people don't know about these type of accreditations and therefore jump at the first cheap product that has "all the features". What they fail to understand is that the cheap product is cheap for a reason and the cost of the product over its life span can easily be triple that of the initial outlay.

A cheap instrument or piece of equipment is also more likely to break quickly and require frequent repairs. It may also need to be replaced much faster than a quality instrument as it might not be robust and withstand industrial wear and tear.

Cheaper breathalyser's may also need to be recalibrated more often than quality machines and a failure to recalibrate the machine could also affect the reliability of the readings, or even, its ability to operate at all.

Where the equipment is used for tests and the results have legal or life-changing results, a cheap machine can also cost the business in legal fees should someone successfully dispute the results. For example, according to the Occupational Health and Safety Act of South Africa of 1993, employers may not allow any person who is, or appears to be, under the influence of alcohol or drugs to enter into the workplace.

While the law provides the legal basis for employers to implement alcohol and drug testing on their employees, there is no room for faulty/unreliable results. In a case of where there is an employee dispute, the company could incur legal costs should the employee successfully argue that the results or the equipment was faulty.

Empowering procurement managers to make purchasing decisions
For many companies, the most popular purchasing method is for the department using the equipment to provide the procurement department with clear specifications of what they require. The procurement department is then tasked with finding the cheapest supplier that meets those requirements.

Unfortunately, this is not always the best approach as inferior products

may feature the same specifications. However, they are manufactured to a lower standard of quality and won't last as long as a better quality product.

In some instances, the end-user does not provide their input into the purchasing of testing equipment. In such cases, the procurement department may choose equipment that is the most financially viable and because of their lack of experience on the qualities to look for, they may end up choosing the cheapest model or one that looks impressive but lacks substance.

It is therefore prudent to consider business equipment purchases as an investment and to empower the people who make purchasing decisions so that they are better able to consider the overall impact of choices. Here are some of the issues to take into consideration when buying business equipment:

- Does the model we would like to choose offer all the features needed to be able to efficiently execute the intended tasks to the best quality we can afford?
- What is the expected life-span of the equipment? This includes manufacturer guarantees, warranties in place and anecdotal history from previous users.
- What is the projected cost of ownership of the equipment over its lifetime, when including estimates for repairs and estimated maintenance costs? Based on this, do you still believe that your cheapest buy is the most cost-effective option?
- Is this particular model accredited and well-respected by the industry? Does the use of the equipment or the results from it have legal or life-saving implications?
- Can the business afford to operate for more than one day without the equipment in the event of equipment failure?
- Would equipment failure directly hurt the business operations or even its reputation among employees, clients and where relevant, affected legal and regulatory bodies?

The biggest benefit of purchasing quality equipment is that, once the investment is made, you can focus on other aspects of the business with

the assurance that your equipment will do what it's supposed to, when it's supposed to. You also have peace of mind knowing that your budget allocation is unlikely to be derailed by unexpected repair costs. Quality equipment is also good for employee morale, as they don't have to waste time with faulty equipment or waiting for someone to repair the instrument, which ultimately impacts their project schedules.