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Purchasing people will improve their profession by two means.
First, by constantly improving their buying job.
Second, by informing management of the facts.

The first must be done first. We address ourselves to that task.

To drive for lower prices is only one arrow in the buyer's quill--possible not even his truest arrow. To buy each item with full understanding of its use and function is a second. When the buyer is supported by a third--broad basic knowledge of other means for securing the same function--and a fourt--effective action along this line, the target is in range.

For instance...A buyer was buying 20' lengths of 1/4" copper tube as requested. It was being cut into 1-1/2" lengths. What does the part cost? It costs 1-1/4¢ for the tubing, 4¢ by the time it's cut off and burred. A specialty supplier who draws his own tubing, cuts it off, drops it into a box--sends it, ready to use, for 1¢! Instead of 4¢. And, why shouldn't he? He had to buy it in 2000 lb. lots. Paying high small quantity extras, box it in wood boxes 20' long, ship it less-carload, use a general purpose machine to cut it off, then burr it! The field is filled with Value Analysis opportunities. The pressure buyer might get 10% off. The Value Analysis buyer, 75% off.

A buyer purchased steel strip 1/2" wide, 1/16" thick. How is it used? A small bracket is made from it in the factory on general purpose machinery. It has two tapped holes. So the buyer secures a quotation from a specialist who makes small parts having tapped holes on special purpose machines which eliminate handling. The price comparison--instead of $13.30/M--$2.63/M.

Again, prompted by Value Analysis, the buyer, instead of continuing to buy steel bar, searched out its use in the factory. A small shaft and a small hub were machined separately, then assembled, costing 60¢. This sent him on a broad search for today's methods and brought a supplier who would use the steel shaft as an insert and die cast the hub onto it, reducing cost from 60¢ to 22¢, providing the same performance for about 1/3 of the cost. Again, the buyer was buying gasket material by the square yard. His study of the use showed small gaskets being made by a machinist in lots of a few dozen. He got proposals on the finished gaskets from gasket-making specialist companies and reduced the cost from $4.15 to $.15 each.

A buyer purchased sheet insulation and sheet bronze. He looked up the use and found it being made into small switch parts for special equipment. The switches so made, cost 86¢ each. But specialists were found who make standard switch blades and insulation parts for this type of construction and the search disclosed that their parts could be provided for $.16. The same performance for 20% of the cost! A kit of the specialist vendor's standard parts obtainable for $5 contained thousands of parts and promoted easy design of a high quality, low cost product.

The common purchasing ingredient of all of these cases which reduced costs by 75%, 75%, 60%, 95%, and 80% was...

1. Analysis by the buyer of the use of purchased material.
2. Knowledge of other means for accomplishing the same result..and
3. Action

As so well said in the New Association book, "Cutting Costs by Analyzing Values"--"the buyer must determine the minimum cost at which the function of a desired material or service can be secured. To do this, he must first know the desired function and then search out, learn and study every alternate method for achieving it", that is; the cost, the advantages and the disadvantages of each method. The Purchasing man carrying the initiative and working with those who are informed and those who are responsible makes an intense study endeavoring to promote lower cost by weighing the function obtained for every expenditure on the scale of functional performance.

He studies similar products or services or materials. He studies the use to which each feature of these items is put and he determines whether functional performance can be purchased at lower cost by eliminating, substituting, simplifying or grouping. He studies the special functions which may be obtained from the special skill, knowledge and techniques of specialized suppliers. By using this broad approach, he can more nearly assure value on each item.

First, I've shown you the simple cases where the buyer was buying basic raw material. Now, here are a few assorted examples.

Take the case of the buyer who was buying 20,000 screw machine studs each year at 15¢ each. Not content to spend his Company's money without a true Value Analysis of each part, he put the project up to some good upsetting firms. Some told him it couldn't be made on an upsetter, but one said, "I think we can do it. Where the undercut is required, we will roll threads for part of the stroke and interfering threads for the rest of the stroke. We think that this will strip off all of the metal at the undercut." He did it. It worked, and the cost went from 15¢ to 1-1/2¢. Identical performance for 1/10 the cost!

A perforated metal sheet cost $1.75 each. It has thousands of holes, yet special holes are made at the ends for mounting. Wouldn't this same job be accomplished by a continuously perforated sheet using the same holes for mounting? The ends are in mounting straps anyway. Sure enough! The same performance results, and the cost drops from $1.75 to $1.25 - saving $35,000 per year.

Or, let's consider a cover made as a machined casting costing 60¢. A specialist supplier will provide it as a stamping from heavy steel accomplishing the same performance and cost drops from 60¢ to 20¢, saving $39,000 per year.

Again, what Purchasing ingredient has been added that has brought the reductions of 90%, 25%, and 60% without the slightest decrease in quality?

1. Purchasing study of how the parts were used.
2. Knowledge of how to find other means for accomplishing the same result, and
3. Action.

Clearly, in case after case it is shown that to do a vastly better buying job the buyer must..

First, understand the use
Second, know alternates; and
Third, act.

So--what shall we do?

"Well developed ideas."
"Bring Results"

Determine that we will add these three skills to our buyers kits.
Determine that we will "grow" all of our purchasing men into 'value buyers'.
The Value buyer is quite a character -- what does he look like?

Some men are buyers -- some are value buyers. The value buyers are the profit-makers -- who in industry can well double their company's profits, and in other businesses save their cost tenfold.

The buyer is...

friendly	sincere	courteous
fair	honest	

He is our starting point - our base line. In value buying, we require all of his characteristics as a starter, and many more inaddition. We give him a neutral zero.

The value buyer, however, is also...

intelligent	informed

Intelligent enough to interpret what he sees, with knowledge enough to support proper interpretation. He moves us upone point on the value-buying scale.

The value buyer is...

open-minded	cooperative

He knows that today's actions are based on yesterday's experiences - and that he, at best, can know only a small part of what is new. So, he cooperates with all people, in the plant and out, to multiply his limited knowldge and ability, by their assistance and skill. We now are two points up on the value scale.

The value buyer is genuinely cost-conscious. He won't be comfortable paying a dollar for an item that is worth a half-dollar, even though the president of the company says to do it. His personal payoff of satisfaction from his job comes from the knowledge that every dollar he hands out brings a true exchange of value into his company. He raises us another point on the value-buying scale.

The value buyer is...

ingenious	creative	understanding

He knows that there are five ways to make a bolt, and that the best way has probably not yet been found. He looks at today's materials and his mind transcends them into the future - into something definite - something more functional - less costly - something different, which accomplishes the same result at lower cost. He buys understandingly. He knows the function bought for every dollar he spends. He sees what the bracket holds, how the paint is applied, where the contacts are used, what the cover protects. He understands the real value which every dollar brings. How we are getting up into Value buying.

The value buyer is...

firm direct effective

He knows that buying is serious work - that the future employment of his associates may be determined by his effectiveness. He knows that buying is not a simple, easy pasttime. He gels the vital issues. He presents them in a direct, effective manner. He expects, and receives the consideration which each of his important points deserves. He earns the respect of those with whom he deals. He secures their best materials, the use of their best machines, their best prices, and the best services of their best people. Again, we have taken long strides up the scale of real value buying.

Finally, the value buyer is...

inspiring enthusiastic

He has pre-planned objectives. His confidence, and ability, take him to the objectives. He is enthusiastic about each job. His enthusiasm rubs off, and others in his company and in supplier companies are inspired to greater and greater accomplishments. He has brought us to the final level of value buying.

Let's take stock of our buyers. Of course, they must be friendly, sincere, courteous, fair, and honest. That's our starting point. Add the value characteristics to each.

He must be...

intelligent and informed
open-minded and cooperative
genuinely cost conscious
ingenious, creative, and understanding
firm, direct and effective
inspiring and enthusiastic.

They will see items like this plug being machined at a cost of $15. What does it do? Plug up a hole! What else would do it? A pipe plug. What would that cost? Not $15--but $3.

They will also find items like these springs with one special loop. What do the loops do and what do they cost? A functional study shows that once the special loop was needed -- but not now, and the price falls from $9 to $3/M - saving $3500.

The question..."What does it do?"...will bring forth items like the V-belt pulley machined from steel bar costing 60¢. Their knowledge of..."What else will do the job" ...supported by their "action" habit will provide it as a die casting at 22¢.

Instead of special knobs costing $2.25 each, they will bring forth equivalent quality standard knobs for 25¢.

Again, because the buyers had four value-buying skills...not one...the costs to their company were reduced 80%, 60%, 60%, and 90%...not 5 or 10%.

Shall we be content until all of our buyers use the four value techniques?

1. Drive for lower prices--"Any price is too high if it can be reduced."
2. Know the use and function of each item purchased.
3. Know and understand in general "how else to get the same performance"
4. "Act"

We think not!

Only then have we done our share...

...to keep down the cost of living
...to keep up the standard of living
...to keep up the value of our dollar
...to support adequate profits for the investors in our companies
...and
...to further advance the honorable profession of purchasing.