

# Guest Editorial

## Good 'n' Cheap!

### Dedicated to Purchasing Agents Everywhere

By ELMER MOTT, Vice President Marketing, Mott Corp.

IT is not unusual for purchase orders received to specify shipment via "Fastest and cheapest way". Great! We'd all like that. The problem is, the fastest way would be by rocket and the cheapest would be "barge via Hong Kong, China". As "East is East and West is West" — the twain shall not meet.

So it is with the purchase of equipment. You can't

buy a Cadillac for the price of a Chevy, and if you consider price only without regard to quality and performance specifications you might even wind up with a pedal car.

Selling price (purchase price to you) can be considered to be made up of three main factors:

1. Cost of Producing
2. Cost of Marketing
3. Profit on Producing and Marketing.

Competitive bidding exerts pressure to reduce the selling price and this can be done only by achieving a reduction in these factors.

The cost of producing is affected to some extent by methods used and volume produced but it is mostly affected by the product design. As a consequence a good many manufacturers compromise the performance qualities of their products by designing to meet a price goal.

An engineer working for a large equipment manufacturer once commented, "First they tell us to make it good — and we do. Then they come around and start hollering at us that it costs too much — get the cost out of it — make it cheaper. So we go back to work redesigning and the first thing you know, we got it good 'n' cheap!".

The selling price of most equipment reflects a design compromise that has reduced potential performance quality.

The cost of marketing can't really be cut too much. An equipment producer couldn't reach the purchaser without a sales and service organization. At Mott we use various ways to reach the purchaser — advertising, trade shows, mail and direct contact. Whether such direct contact is by dealer, distributor, manufacturers agent or the factory itself, the cost is about the same. Regardless of who or how paid, somebody somewhere somehow has to make contact with the purchaser and present the story of the product to the purchaser — otherwise there would be no sales and no production.

Profit is the one factor that can be held in check by competitive bidding — and it is! However, low price on competitive bidding can be misleading. We have seen bids that were obviously below actual costs. Why? Because it is a well known fact that too often consideration is given to price alone with no consideration being given to future operating and maintenance costs. Knowing this, the selling price will be set to cut or eliminate the profit on the whole product and added back several fold on the price of the parts. As one competitor was heard to comment, "There's one thing we don't give away and that's our parts." A good measure of possible future maintenance costs would be the total listed price of all parts necessary to assemble a complete item from parts. We have never seen this requirement on a bid request. It could be quite revealing. Mott certainly would have no qualms about furnishing such data.

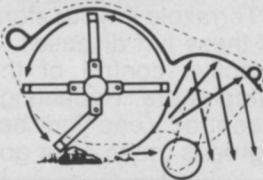
Competitive bidding was developed to protect the public interest from unscrupulous officials who, for personal reasons, made it a practice of purchasing at scandalous prices. Unfortunately, the pendulum has swung too far to the other side. In a good many instances competitive bidding now means purchasing at the lowest price offered regardless of cost. That's right — cost! But,

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LOW IMPACT FORCE ACTION of the MOTT lightweight free swinging flail knives, their vertical mode of operation, the guard action of the roller and the deflecting features of the cutter housing all combine to make the MOTT Hammer Knife flail mower by far the SAFEST of all impact action mowers.

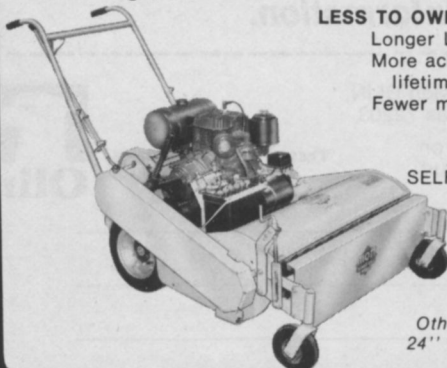


## COST SAVING



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32" 10 H.P.  
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Other models from  
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## FLAIL MOWERS

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**GUEST EDITORIAL** (from page 28)

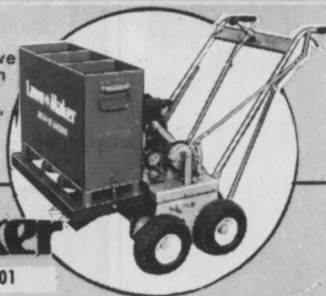
you say, "Price and cost are the same!" Sorry, but that statement could not be farther from the truth. Price and cost are NOT the same.

Price is the dollar amount for which a piece of equipment can be purchased. It is only a small part of the cost. Before we get confused, the cost we are now talking about is not the producers cost or the sellers cost but rather the purchasers' cost. It is the **TOTAL EXPENSE OF OWNING, OPERATING AND MAINTAIN-**

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ING A PIECE OF EQUIPMENT OVER THE TOTAL PERIOD OF ITS SERVICEABLE LIFE. It should always be expressed as cost per unit of work done. In the case of a mower, total cost is:

1. Price, plus
2. Cost of fuel, plus
3. Cost of operator, plus
4. Cost of repair parts, plus
5. Cost of labor to repair, plus
6. Cost of insurance, plus
7. Cost of interest on investment.

Add these, subtract the resale value at the end of the service life and equate the nest against lifetime productivity. In other words, what will be your total cost — "Dollar per acre mown"?

When dealing with productivity, one must consider: **RELIABILITY** — How much production and operator time will be lost through breakdowns? If it is too much it might become necessary to purchase additional mowers and hire more operators. Now watch your costs soar!

**VERSATILITY** — Is the mower restricted in its performance capabilities or can it be used on several different applications? Can it mow fine lawn areas? Shred high grass and weeds? Mulch leaves? Renovate — thin, dethatch or scalp turf? Can it mow in rough trashy areas as well as in clean smooth areas? Can it go out and mow in all conditions, wet or dry, or will production time be lost waiting for the dew to evaporate? Is it relatively safe to use when people are around or should the area be cleared first?

**CAPACITY** — or mowing rate, acres/hour. The Mott Interstater, for instance, carrying (3) cutter units and cutting practically a 19 foot swath has the capacity of (3) single mower units on (3) tractors with (3) operators. Saving — (2) tractors and (2) operators! Higher priced wide swath mowing equipment can and will, where practical to use, pay for itself in cost saving many times over.

**DURABILITY** — Will the mower be worn out in 5 to 7 years or will it have a serviceable life of 10, 15 or even 20 years? Longevity not only has a great impact on total lifetime productivity but also a direct impact on capital cost. Take for example a \$700 mower with a 7 year life expectancy versus a \$1000 mower with a 15 year life expectancy. For \$300 more (almost a 50% higher bid price) an extra 8 years of service life can be purchased — at a capital cost of less than \$40 per year for the last 8 years!

John Ruskin said it, "There is hardly anything in the world that some man cannot make a little worse and sell a little cheaper, and the people who consider price only are this man's lawful prey".

Lawful perhaps, but not necessarily to the taxpayers or shareholders best interest. □

**Perform a death-defying act. Exercise regularly.**

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