

Price vs. Cost

Every day, companies across the country purchase machines for their Tool Rooms, R&D Centers, and Manufacturing Facilities. Most of the time, someone responsible for the purchase has recognized the value of a particular machine or control, and expects to realize a considerable return on their investment...often several times the original purchase price.

But what happens when a potential customer declares that his decision will be based primarily on price? Forget about features and benefits...let's go directly to the bottom line. If your machine isn't the lowest price, you won't make the sale. How can we help this unfortunate fellow abandon this foolish strategy and gain a real understanding of value when purchasing a mill or lathe?

This customer knows that ALL machine tool manufacturers come to the table with artificially high price quotes. "There's a discount in there somewhere...I paid too much for a mill once, and it won't happen again". He doesn't understand that when dealing with manufacturers and dealers that inflate prices, he might get his discount, but he will never make it to the real price of the machine. Someone, maybe even the shop next door, bought the identical mill or lathe and paid thousands less! How's that "low price" looking now? Our pricing structure at SWI is simple...honest list prices for everyone, prices that reflect real, demonstrable value. Customers need to look at the big picture, the one that illustrates the *cost* of the machine. We might be a bit higher on the initial purchase *price*, but take a look at the *cost of ownership* for the life of the machine, and we are always the best value.

Anyone can compare prices on two different products and determine the lowest price. But what factors enter into the cost of owning these products? Several thoughts come to mind...

First, what company is selling the machine? SWI is unique in the market. We are focused on providing premium products for shops that specialize in low-quantity machining. That is our core business...we understand what you need to do everyday, and nobody else comes close. Remember our mission statement, "We are the best at what we do". We do it by providing a complete ownership experience that is based on decades of experience. Consider these points...

- Product...It starts here with controls and machines designed for exactly what small lot machining calls for...flexibility, ease of use, and the power to put the machinist in control to get the job done. We strive for continuous improvement through software upgrades and new models designed to increase the productivity of skilled machinists. TRAK products are not stripped-down CNC's that were born for production applications, and presented as viable solutions for tool room work for \$19,995, all the while trying to get you to upgrade to bigger and better.

- People... SWI Sales Representatives are product specialists trained to help customers identify solutions that bring real value for small lot machining areas. Product selection, payback calculations, tax benefits, product training, and customer support save TRAK users thousands of dollars each year in their most valuable commodity...Time. Our people invest themselves in the customer's success whenever a TRAK product is placed on the shop floor, and we will be there when you need us.
- Customer Service...SWI has a well-established Customer Service organization that is one phone call away. Our CS group in Los Angeles is available every business day to answer questions, help with troubleshooting, warranty exchanges, or ordering factory parts. Our field service technicians are experts with all TRAK products, regardless of when purchased. They are factory trained to do installations, service, and scheduled maintenance at the customer's location. We do not outsource our service to non-factory personnel in direct supported areas. That means the customer will be dealing directly with SWI factory support.

Maybe these points help, maybe not. We have all come across the shop owner that still says, "It's the same as a ProtoTRAK, only \$1,000 cheaper".

Really? Let's check it out...

Is that low-price manufacturer helping you calculate your payback on this purchase, using your labor rates and shop rates? Why hasn't he put it in writing for you? Where does the money go? How do you get paid back? What's it worth over the life of the control? Where's the value for your company? Are you really going to buy that machine just because it's cheaper?

Who's going to train your machinists? Do they have to leave the building? Do they train your guys on your parts, or some generic part that has nothing to do with what you do? What does training cost? When your machinists get back from training, how long will it be before they are proficient on the new machine? How long does it take to make money with this control? How long does it take to burn \$1,000.00?

When it comes to programming help for a hot job, is the guy selling brand A the same guy that is selling out of a book with 300,000 products? Will he really be available for you after the sale with useful information and a timely solution? Is he a product specialist?

Is the guy that told you how easy Brand H is to use, (but didn't know how to program your part in his demonstration) really the guy you are going to call for help on that hot job that you can't quite figure out because something is wrong? Did he ask for your credit card number before he would answer any questions for you? Are you comfortable with that?

What happens when you need warranty service (and you will), but you can't reach anyone that can help? Can you afford to be down for a week before someone gets around to responding to your call?

If a service rep (probably not a factory rep) does finally show up to troubleshoot your problem, can you wait two weeks for replacement parts? Are you ready to pay premium prices to get those parts? One service event can burn thousands of dollars.

How is the Scheduled Maintenance Program for Brand F? Does one exist? If so, what's the cost? Where is the Tech coming from? Who does he work for?

What happens when software needs to be upgraded? What does it cost to upgrade your equipment? Who does the upgrade?

What happens if the company you buy your control or machine from decides that, hey, it's pretty difficult to make any money in this control business...maybe this wasn't such a good idea after all. They decide to cut their losses and abandon the entire product line, including parts and service support. Can't happen? Ask the guys that bought Sony, Mitutoyo, Fagor, and EZ TRAK controls.

How's that \$1,000.00 savings looking now?

Machinists change jobs...that's a fact of life. What happens when your machinist is sent to programming school, and takes six months and learns the control really well, then jumps ship to a job shop for a few dollars per hour more?...You're back to square one. Nobody wants to learn the control, so it sits there while your people crank handles on manual machines, and you pay the overtime to get jobs out the door. How much overtime equals \$1,000?

If your business takes an unexpected turn...maybe you lose a major account, or unforeseen circumstances arise in another part of the business...does Brand X have a program that lets you return a machine after 1,2,3, or 4 years with no further financial obligation and no strings attached? Why not? You probably would gladly pay that \$1,000 you saved just to get out from under that machine.

Under the same program, can you buy additional years of warranty coverage as you go?

Do you have extended coverage available to you for the life of the machine on exchange replacement parts? What happens if the manufacturer decides to stop supporting your product?

Is it really worth \$1,000?

Fortunately, the manufacturing industry is filled with smart people that can recognize value for their companies. Once in a while, we run into a bonehead

that confuses price with cost of ownership. He needs help in understanding the value of his most important commodity... Time. It's never about price...it's always about value. Everything we do brings real, measurable value to our customers throughout the entire ownership experience we provide for every one of our customers. From product development to sales and support for the life of the machine...We are the best at what we do.

Every decision we make carries opportunity costs. These costs are equal to the most highly valued alternatives that we forfeit when a choice is made. When you choose to wait instead of moving forward with the purchase of a TRAK system, the opportunity costs are enormous. They become lost opportunities to:

- Increase profits through use of the TRAK system.
- Lower labor costs.
- Develop a real competitive advantage over other shops.
- Position your business for growth.
- Increase your shop's capacity to do more work without adding expensive workers.
- Increase throughput to meet hot deadlines.
- Increase your customer base through competitive quoting, quality, and delivery.

Waiting to purchase your ProtoTRAK EMX is not a good strategy for your business. Think about how much stronger your business will be when you put the EMX to work in the shop. In terms of costs versus profits, you are only adding about \$.60 per hour to the \$16 you pay every hour for your machinist, not including benefits. But the \$11.67 of extra PROFIT per hour that you generate by using the EMX far outweighs the cost of the investment. What you're saying is that you are willing to throw away an extra \$11 or \$12 per hour of PROFIT in order to save \$.60.

You're in business to make money. Smart businessmen look for ways to invest in their companies to develop competitive advantage, maximize earnings, and set the stage for growth. Don't wait. Make the choice now. Spend the \$.60 and take the \$11. Take it right to the bank.

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